

HOUSING ELEMENT

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Huntington Beach General Plan



CITY OF HUNTINGTON BEACH

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HOUSING ELEMENT

HUNTINGTON BEACH GENERAL PLAN

Department of Development Services
James W. Palin, Director

November 1979





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RESOLUTION NO. 4806

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HUNTINGTON BEACH REVISING THE HOUSING ELEMENT OF THE GENERAL PLAN BY ADOPTING AMENDMENT NO. 79-1 TO THE HOUSING ELEMENT OF THE GENERAL PLAN AND ENVIRONMENTAL DOCUMENT THERETO

WHEREAS, the City Council of the City of Huntington Beach desires to update the General Plan in keeping with changing community needs and objectives; and

Public hearing on Housing Element Amendment No. 79-1 was duly conducted before the Planning Commission on October 16, 1979, and approved for recommendation to the City Council; and

The Department of Housing and Community Development of the State of California on November 17, 1977, adopted a revised set of Housing Element Guidelines to aid localities in complying with provisions contained in the California Government Code Subdivision Map Act; and

The City's adopted Housing Element has been revised in compliance with said Housing Element Guidelines and the Government Code; and


The City Council, after giving notice as prescribed by Government Code Section 65355, held at least one public hearing to consider the Housing Element Amendment; and

At said hearing before the City Council, all persons desiring to be heard on said amendment were heard,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Huntington Beach, pursuant to Title 7, Chapter 3, Article 6 of the California Government Code commencing with Section 65357, that Amendment No. 79-1 to the Housing Element of the General Plan, together with Negative Declaration No. 79-56 are hereby approved.

PASSED AND ADOPTED by the City Council of the City of

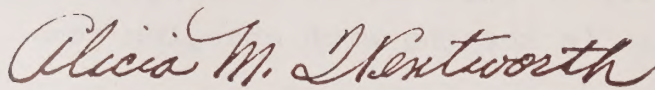
Huntington Beach at a regular meeting thereof held on the
5th day of November, 1979.



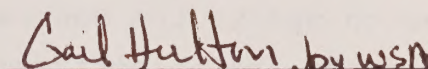
Mayor

ATTEST:

APPROVED AS TO FORM:



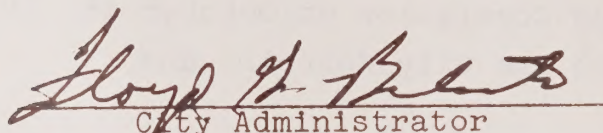
City Clerk



City Attorney

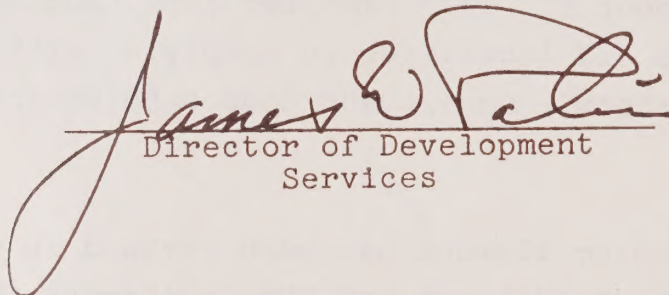
JG

REVIEWED AND APPROVED:



City Administrator

INITIATED AND APPROVED:



Director of Development
Services

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss:
CITY OF HUNTINGTON BEACH)

I, ALICIA M. WENTWORTH, the duly elected, qualified City Clerk of the City of Huntington Beach, and ex-officio Clerk of the City Council of said City, do hereby certify that the whole number of members of the City Council of the City of Huntington Beach is seven; that the foregoing resolution was passed and adopted by the affirmative vote of more than a majority of all the members of said City Council at a regular _____ meeting thereof held on the 5th day of November, 19____, by the following vote:

AYES: Councilmen:

Mandic, Bailey, Yoder, Finley

NOES: Councilmen:

Pattinson, Thomas, MacAllister

ABSENT: Councilmen:

None

Alicia M. Wentworth

City Clerk and ex-officio Clerk
of the City Council of the City
of Huntington Beach, California

HOUSING ELEMENT
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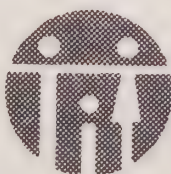
1. Introduction

1.0 INTRODUCTION

The Housing Element is intended to direct residential development and preservation in a way that coincides with the overall economic and social values of the community. The residential character of a city is largely dependent on the type and quality of its dwelling units, their location, and such factors as maintenance and neighborhood amenities. The Housing Element is an official municipal response to a growing awareness of the need to provide housing for all economic segments of the community, as well as recent legal requirements that housing policy be made a part of the planning process. As such, the Element establishes policies that will guide City officials in daily decision making and sets forth an action program designed to enable the City to realize its housing goals.

1.1 State Policy and Authorization

The California State Legislature has identified the attainment of a decent home and a satisfying environment for every Californian as a goal of the highest priority. Recognizing that local planning programs play a significant role in the pursuit of this goal, and to assure that local planning effectively implements statewide housing policy, the Legislature has mandated that all cities and counties include a housing element as part of their adopted local general plans. Section 65302(c) of the Government Code requires the preparation of a housing element "consisting of standards and plans for the improvement of housing and for provision of adequate sites for housing. In addition, this element of the general plan shall make adequate provision for the housing needs of all economic segments of the community."



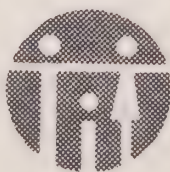
Section 65302(c) also requires that local housing elements be prepared in accordance with regulations promulgated by the Department of Housing and Community Development (HCD). A set of Housing Element Guidelines was originally adopted on June 17, 1971. In order to more accurately reflect and effectively implement the statutory language contained in the Government Code, HCD adopted a revised set of guidelines on November 17, 1977 (Appendix B). The revised guidelines were prepared in coordination with the State's Office of Planning Research and representatives of both local government and the private sector. In addition to providing specific direction for local agencies, the guidelines also established criteria by which HCD can measure local housing elements' compliance with Section 65302(c) of the Government Code.

1.2 Organization of the Housing Element

The Housing Element Guidelines require elements to include two basic components:

- 1) An evaluation of the housing problem and an analysis of housing needs, indicating the capacity of the existing housing supply to provide all economic segments of the community with decent housing.
- 2) A housing program, consisting of two parts,
 - a) A comprehensive problem solving strategy establishing local housing goals, policies, and priorities aimed at alleviating unmet need and remedying the housing problem, and;
 - b) A course of action which includes a specific description of the actions the locality is undertaking and intends to undertake to effectuate these goals, policies, and priorities.

The Housing Element will delineate the City's housing problem and set forth a program of action in accordance with the State guidelines. This section defines the intent of the Housing Element and describes its relationship to State directives and other general plan elements. Section 2 presents an overview of the City's housing and population characteristics to acquaint the reader with Huntington Beach and provide a background for the sections that follow. Section 3 identifies the needs of various segments of the community and quantifies them, including the City's fair share allocation or estimate of additional responsibility for regional needs which should be addressed. Section 4 will examine the market and governmental constraints to meeting the identified housing needs and will address coordination with the efforts and adopted elements of other local jurisdictions. Section 5 describes current housing programs and how they relate to previously identified needs. Section 6 presents goals and policies and discusses the programs which the City proposes to undertake in order to ameliorate existing inequities and promote a vigorous and well-balanced housing plan for the community.



1.3 Relationship of the Housing Element to other General Plan Elements

The California Government Code requires that general plans contain an integrated, internally consistent set of policies. When any one element of the general plan is revised, and especially when new policies and priorities are proposed, the other elements must be reviewed to ensure that internal consistency is maintained. This section examines the relationship of the Housing Element and its policies to the other elements of Huntington Beach's General Plan.

Land Use

The Housing Element is most affected by development policies contained in the Land Use Element, which establishes the location, type, intensity, and distribution of land uses throughout the city. In designating the total acreage and density of residential development, the Land Use Element places an upper limit on the number and types of housing units constructed in the city. The acreage designated for industrial, commercial, and office professional uses creates employment opportunities; the presence of these jobs affects the demand for housing in the city.

Ongoing modeling of the fiscal impacts associated with various land use types and proposed developments may warrant a reconsideration of the distribution of land uses throughout the city, especially in light of the Jarvis and Gann tax initiatives. Early indications reveal that there may be significant policy conflicts between providing a sufficient number and range of housing types and maintaining a balanced local economy and an adequate level of municipal services. The adopted policies and priorities of both the Housing and Land Use Elements must be carefully balanced to maintain internal consistency in the General Plan.

Open Space and Conservation

Policies contained in the Open Space and Conservation Element call for the preservation and protection of the city's natural environment through the conservation of significant open space areas, acquisition of land for recreation and parks, and restricted development in hazardous areas and areas utilized for the production of natural resources. These policies affect both the amount of land available for housing by designating permanent open space areas and the cost of housing by requiring land dedication and/or development fees for the acquisition and maintenance of public open space areas.

Circulation

The Circulation Element calls for the development of a system of arterial highways that safely and efficiently accommodates traffic generated by adopted land uses. At the same time, the element seeks to minimize the adverse environmental and aesthetic effects of the road network and traffic on sensitive land uses such as residential areas. By providing for a convenient public transportation system and a network of bicycle, pedestrian, and equestrian trails,



the Circulation Element attempts to create a satisfying living environment for residents of Huntington Beach. The cost of producing new housing is affected by the City's street design standards and arterial dedication requirements.

Noise

The Noise Element contains policies aimed at reducing the impacts of urban noise on residents, workers, and students in the city. Sources of noise include freeway and arterial traffic, construction and oil-related machinery, and aircraft. Residential development in areas with high noise impacts is discouraged unless adequate noise attenuation features are included. Special construction methods or increased landscaping to reduce noise impacts create a more satisfying living environment but also add to the cost of housing.

Seismic Safety

The Seismic Safety Element identifies geologic and flood hazards in the city. Although development within identified hazard areas is not prohibited altogether, special construction techniques are required to ensure that structures will remain safe in the event of a disaster. Unstable soil conditions in certain areas of the city require additional grading, fill, and compaction before development is allowed. In addition to the extensive fault system that underlies Huntington Beach, the majority of the city is located within the flood plain of the Santa Ana River. The National Flood Insurance Act of 1968 requires affected localities to adopt a program of flood plain management to prevent loss of life and property in the event of a major flood. Provisions of this program range from prohibiting development in severe hazard areas and requiring modification of structures or special construction practices to securing bonds for the construction, improvement, and maintenance of flood control and drainage facilities. All of these actions add to the cost of housing in the city; however, they are required if the City is to provide an acceptable level of public safety.

Scenic Highways

The Scenic Highways Element establishes local scenic routes and landscape corridors along several arterial highways in the city. The intent of these designations is to establish and maintain aesthetic visual resources along major transportation routes, implemented through landscaping programs, grading, development, and signing controls, utility undergrounding, and architectural review. While the scenic highways program enhances the living environment, the costs to the City and private developers to implement the program is eventually reflected in increased housing costs.



2. Community Profile and Housing Characteristics

2.0 COMMUNITY PROFILE AND HOUSING CHARACTERISTICS

A primary task of the Housing Element involves an evaluation of housing problems and needs in Huntington Beach. Housing needs exist to the extent that the present housing supply falls short of providing all economic segments of the community with decent housing. This section presents an overview of the existing housing supply in the City of Huntington Beach, including an inventory of the number and types of dwelling units, age and condition of units, tenure, vacancy rates, housing costs, and household and population characteristics. The identification of the various supply and demand characteristics of the local housing market will provide a basis for assessing housing needs in Huntington Beach.

2.1 Housing Characteristics

2.1.1 Housing Types and Growth

As of January 22, 1979, the City of Huntington Beach had a total of 62,251 housing units. This figure represents an increase of approximately 27 percent over the total of 49,183 units reported in the November 1973 special census, and a 73 percent increase over the 1970 total of 35,971 units (see Table 2-1). Huntington Beach has experienced continuous housing growth over the past 20 years, with an average of 2,840 new units constructed annually since 1960. The City's 62,251 housing units represent approximately 9.0 percent of Orange County's estimated 688,172 units for 1979.

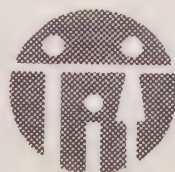


TABLE 2-1
NUMBER OF HOUSING UNITS

<u>Year</u>	<u>Single Family</u>	<u>2-4 Units</u>	<u>5 + Units</u>	<u>Mobile Homes</u>	<u>Total</u>
1960+	3,891	-----539-----		170	4,600
1970+	26,689	----7,469-----		1,813	35,971
1973+	32,538	5,219	8,276	3,150	49,183
1976•	35,318	6,531	8,729	3,149	53,727
1977•	36,693	7,195	9,374	3,296	56,558
1978•	38,306	8,130	10,134	3,320	59,890
1979+	33,003	10,663	15,320	3,265	62,251

1979 Single Family total is lower because condominiums are no longer counted as single family units; rather, they appear in the multiple unit categories.

+ Source: Federal and Special Censuses

• Huntington Beach Department of Development Services Estimates



A variety of housing types can be found in Huntington Beach. Detached single family dwellings constitute 53 percent of the City's housing stock, condominiums and small multiple family units (2-9 units per structure) account for 30 percent, large apartment complexes (10+ units per structure) account for 12 percent, and mobile homes make up the remaining 5 percent. The location of the various types of housing units within the city is mapped in Figure 2-1.

During the sixties, vacant land was plentiful in Huntington Beach, and housing construction was characterized almost exclusively by large tracts of single family homes. During the early seventies, planned condominium developments and small multi-family rental units became popular in response to changing housing demands, land constraints, and market conditions. Current housing growth is characterized by smaller single family tracts and multi-family buildings. Between July 1978, and June 1979, only 625 single family units, 142 2-4 unit dwellings, and 221 5+ unit dwellings have been authorized by the Building Division. This activity corresponds to a 1.6 percent annual growth rate, the City's lowest rate of housing growth in over 20 years.

2.1.2 Age and Condition of Structures

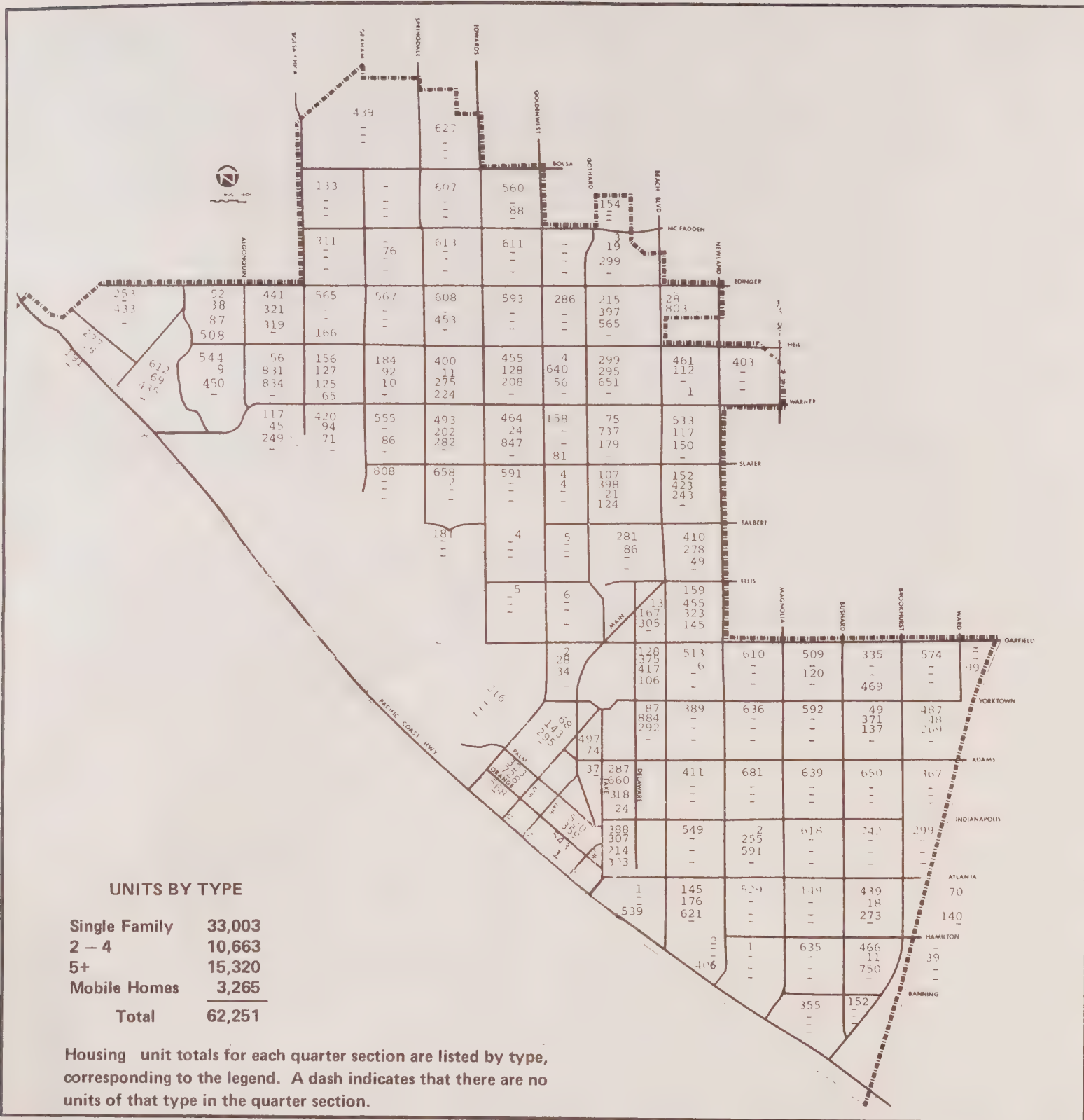
The majority of housing units in Huntington Beach are relatively new and in good structural condition. The table below indicates the relative age of the City's housing stock. The good condition of the housing supply can be partially attributed to the large number of planned subdivisions in addition to the relatively young age of these tracts. At the present time, less than 10 percent of the City's housing units are over 20 years old; however, in ten years, nearly half of the housing supply will be over 20 years old. The percentage of housing units potentially needing rehabilitation will increase over time.

AGE OF HOUSING UNITS

<u>Age</u>	<u>Number</u>	<u>Percent of Total</u>
0 - 5 Years Old	10,950	18%
5 - 10 Years Old	17,525	28%
10 - 15 Years Old	12,755	20%
15 - 20 Years Old	15,560	25%
Over 20 Years Old	5,461	9%
TOTAL	62,251	100%

Source: Huntington Beach Department of Development Services.





SOURCE: Huntington Beach 1979 Special Census

Figure 2-1



HOUSING UNITS BY QUARTER SECTION

huntington beach planning division

The provision of structurally sound units is a major concern in addressing state and regional housing goals. An important indicator of the condition of the existing housing supply is the number of structurally substandard units and units needing rehabilitation or replacement. Estimates of the number of unsound units in Huntington Beach come from two sources. One source is the Regional Housing Allocation Model, prepared by the Southern California Association of Governments. According to SCAG's most recent estimate, there are 1,023 housing units in the city needing rehabilitation or replacement, 1.6 percent of the total housing stock. A second source of information regarding substandard units is a survey of housing conditions in Huntington Beach that was conducted in June 1977 as part of an HCD-funded Community Analysis Report. This survey identified a total of 1,830 substandard units by housing type and degree of deterioration, as indicated in the following table:

DEGREE OF DETERIORATION

<u>Housing Type</u>	<u>Total</u>	<u>Minor</u>	<u>Moderate</u>	<u>Major-Demolition</u>
Single Family	988	402	360	226
2 - 4 Units	613	448	110	55
5+ Units	229	141	77	11
TOTAL	<u>1,830</u>	<u>991</u>	<u>547</u>	<u>292</u>

The Community Analysis Report further indicates that the majority of housing units needing rehabilitation tend to be concentrated within two or three areas of the city, particularly the Downtown and Oldtown areas. These estimates will be useful in formulating and guiding rehabilitation and/or potential redevelopment programs. A more detailed discussion of substandard units appears in section 3.1.6 of the Housing Element.

2.1.3 Housing Tenure

Another characteristic of the City's housing stock is the mix and distribution of owner-and renter-occupied units. The 1979 special census reveals that approximately 57 percent of occupied units are owner-occupied and 43 percent are renter-occupied. The distribution of owner-and renter-occupied units by census tract is shown in Figure 2-2.

The ratio of owner-to renter-occupied units in Huntington Beach has been declining steadily since 1970, at which time the mix was 71 percent to 29 percent. In 1976, this ratio was estimated to be 65 percent to 35 percent. Several factors contribute to this shift: increased construction of multiple family units, increased mobility of households, rapidly escalating home values, and speculation.



2.1.4 Vacancy

The vacancy rate within a given housing market is a valuable indicator of the availability of housing. In an ideal market, some number of housing units should remain vacant to allow adequate selection opportunities for households seeking new residences. Additionally, these vacant units should be evenly distributed across various housing types, sizes, price ranges, and locations within the city. While a certain minimum vacancy rate is desirable, too high a vacancy rate may indicate serious imbalances in the forces of supply and demand in the housing market.

The 1979 special census reveals an overall vacancy rate of 4.63 percent for all units within the City of Huntington Beach. The percentage of vacant housing units by census tract is shown in Figure 2-3. The table below shows the total number of vacant units and those vacant units available for rent by housing type:

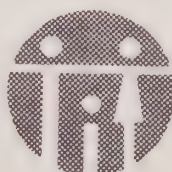
VACANT HOUSING UNITS

<u>Housing Type</u>	<u>Total Units</u>	<u>Total Vacant Units</u>	<u>Percent Vacant</u>	<u>Vacant Unit For Rent</u>	<u>Percent Vacant for Rent</u>
Single Family	33,003	1,062	3.22	169	0.51
2 - 4 Units	10,663	619	5.81	306	2.87
5+ Units	15,320	1,063	6.94	503	3.28
Mobile Homes	3,265	139	4.26	7	0.21
TOTAL	62,251	2,883	4.63%	985	1.58%

Source: Huntington Beach 1979 Special Census

2.1.5 Housing Costs

The cost of housing in Huntington Beach and in Orange County in general is probably the most pervasive problem to be addressed in this Housing Element. During the City's rapid growth period in the sixties, Huntington Beach provided some of the least expensive housing opportunities in Southern California, with new home prices ranging from \$15,000 - \$40,000. In the early seventies, as Huntington Beach and central Orange County began to become more urbanized, the supply of new homes could not match the still growing demand for housing in the County created by tremendous commercial and industrial growth. These and other factors led to the rapid acceleration of property values and housing costs which now characterize the Orange County housing market.



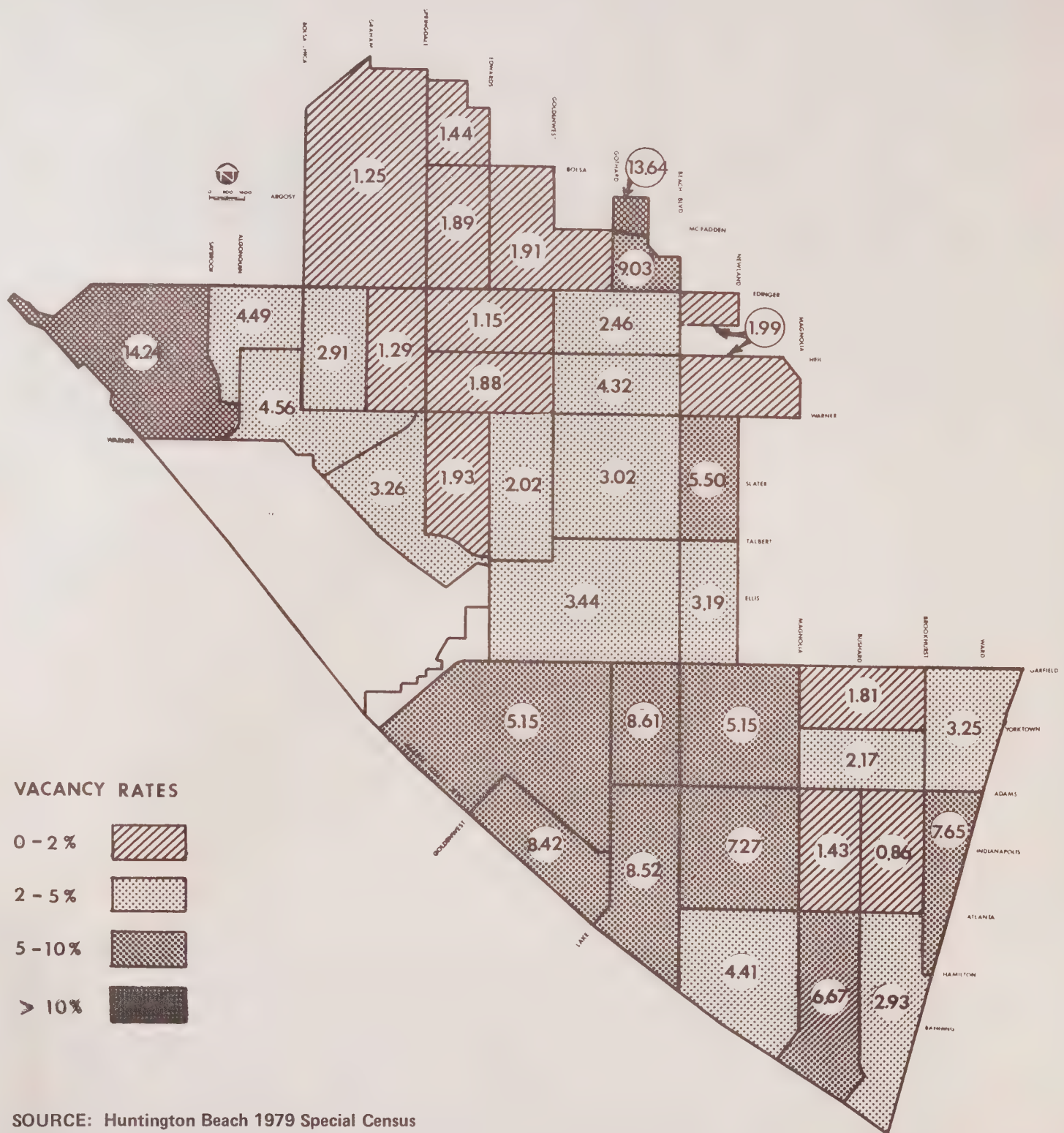


Figure 2-3



VACANCY BY CENSUS TRACT

huntington beach planning division

An assessment of housing costs in Huntington Beach must consider two components: the purchase price of new and resale homes and monthly payments for rental units. According to a survey of new development in Huntington Beach, new single family tract homes are selling for prices ranging from \$111,000 to \$250,000, with the average price being about \$150,000. A survey of resale homes in the city indicates that the average selling price of the approximately 1450 single family homes and condominiums sold between January and May 1979 was \$92,735. The cost of resale homes has risen 8.1 percent over this five month period; however, the monthly rate of increase has dropped from over 4 percent between January and February to less than 1 percent between April and May. A more detailed breakdown of resale activity is shown in Table 2-2.

The 1979 special census included questions concerning mortgage and rent payments for residents of Huntington Beach. The census results indicated that the median mortgage payment including taxes for owner occupied households in the city is \$339 per month. Approximately 9 percent of responding households had mortgage payments in excess of \$550 per month, with 4 percent paying over \$700 per month. About 14 percent of the households responding had mortgage payments of less than \$250 per month. These households most likely represent long term residents who purchased their homes between 10 and 20 years ago, prior to the acceleration of real estate values that characterize current market conditions.

The median payment for renter occupied units in Huntington Beach was reported at \$294 per month. Less than 1 percent of respondents had payments greater than \$550 per month, with less than 2 percent paying under \$150 per month. The largest category of responses to the rent question was in the range of \$250 to \$299 per month (9.5 percent of all responses). Mobile home parks generally offer the least expensive rent payments in the city. A discussion of housing costs in terms of affordability to prospective residents is presented in section 3.1.1.

2.2 Population and Household Characteristics

2.2.1 Population

The January 1979 special census established a new population of 167,419 for the City of Huntington Beach. This figure represents an increase of just under 17 percent from the 1973 special census population of 143,325 and a 44 percent increase since 1970. The rate of population growth, like housing, peaked in the early sixties and now averages about 3 percent annually. In terms of total population, the City of Huntington Beach represents 9 percent of Orange County's 1,852,600 residents.

Huntington Beach is a predominantly white community, with Caucasians constituting approximately 86.7 percent of the total population. Mexican Americans and other persons of Hispanic descent represent the largest minority group, comprising nearly 4.5 percent of the total population; Japanese, Chinese, Southeast Asians, and Filipinos account for 3.3 percent, and Blacks 0.6 percent.



TABLE 2-2
RESALE HOME PRICES
JANUARY - MAY, 1979

<u>Number of Bedrooms</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>
1 - 2	\$67,355	\$67,215	\$67,138	\$71,653	\$69,543
3	85,586	87,637	89,409	90,057	89,951
4	99,452	104,287	104,673	108,017	111,399
5+	112,850	116,775	123,083	124,200	119,672
AVERAGE	\$88,021	\$91,731	\$92,980	\$94,378	\$95,150
Percent increase over previous month		4.21%	1.36%	1.50%	0.82%

Figures include both single family and condominium sales in Huntington Beach, excluding Huntington Harbour.

Source: Data furnished by the Huntington Beach/Fountain Valley Board of Realtors and compiled by Seaclyff Realty.



The 1979 data reveals that, in terms of age, Huntington Beach is becoming an older, more stable community. This can be attributed to a decline in the influx of large families, a general downward trend in average household size, and the aging process. Since 1973, the citywide median age has jumped from 26 to 28. The most significant change has occurred in the population under 18 years of age. In 1970, this group accounted for 40 percent of the total city population; by 1973, it had dropped to 36 percent; but today this age group represents less than 15 percent of the population of Huntington Beach. In fact, although the City's total population has increased by 44 percent since 1970, the number of persons under 18 has actually decreased by about 6 percent. At the county level, where the median age is also 28, the under 18 group represents 28 percent of the total population. The most significant increase has taken place in the 20-24 age bracket, which has increased from 6.8 percent in 1970 to 8 percent in 1973 and 10.5 percent in 1979 to represent the largest 5-year age bracket as a percentage of the total population. The senior citizen population (65+) has also shown a steady increase since 1970 and now comprises 5.4 percent of the total population of Huntington Beach.

2.2.2 Households

A total of 166,912 persons reside in the City's 59,368 occupied housing units, an average of 2.81 persons per household. The remaining 507 persons are housed in group quarters. Household density is highest for detached single family dwellings and lowest for mobile homes, as the following table indicates:

<u>Housing Type</u>	<u>Housing Units</u>	<u>Percent Vacant</u>	<u>Households</u>	<u>Population/ Household</u>
Single Family	33,003	3.21	31,942	3.42
2-4 Units	10,663	5.81	10,044	2.48
5-9 Units	8,052	8.17	7,394	2.09
10+ Units	7,268	5.57	6,863	1.78
Mobile Home	3,265	4.29	3,125	1.69
TOTAL	62,251	4.63	59,368	2.81

Source: Huntington Beach 1979 Special Census

The City's average household density is identical to that of Orange County as a whole and represents a continuing trend toward smaller households. In 1970 the City's average household size was 3.43, in 1973 this figure was 3.07.

Over half of the population of Huntington Beach reside in households containing only 1 or 2 persons. This statistic is interesting in light of the number of large single family homes in the city. Only 12 percent of the population is comprised of large families (5 or more persons). The following table presents the number of rooms per occupied dwelling unit for the city:



<u>Number of Rooms</u>	<u>Occupied Units</u>	<u>Percent</u>
1	332	0.56
2	1,094	1.84
3	4,942	8.32
4	10,532	17.74
5	9,917	16.70
6	10,717	18.05
7	7,312	12.32
8	4,003	6.74
9	1,446	2.44
10+	294	0.50
No Response	<u>8,777</u>	<u>14.78</u>
TOTAL	59,368	99.99*

*Total does not add to 100.00 because of rounding.

Source: Huntington Beach 1979 Special Census

2.3 Housing and Population Projections

A number of documents provide projected housing unit and population levels for the City of Huntington Beach. The Orange County Report on the State of The County, 1978-79 offers the following projections for Huntington Beach:

<u>Date</u>	<u>Dwelling Units</u>	<u>Population</u>
July 1979	62,846	167,842
July 1981	66,962	173,662
July 1983	70,731	181,230
July 1988	80,223	194,147

The Southern California Association of Governments' SCAG '78 Growth Forecast Policy contains the following projections for Huntington Beach:

<u>Date</u>	<u>Dwelling Units</u>	<u>Population</u>
1985	72,700	178,600
1990	83,000	191,200
1995	88,600	205,400
2000	90,700	210,600



The major component of population growth in Huntington Beach is new housing construction and the families that move into the new units. The Land Use Element of the City's General Plan designates a total of 11,470 acres for residential use in addition to the 433-acre Seacliff Planned Community. Table 2-3 identifies the amount of undeveloped acreage in each of the residential land use categories and the anticipated number of additional units that could be added to the existing housing stock.

Using these estimates, the City could be expected to support a total of 76,557 units (probable case) or 83,714 units (maximum case) at ultimate buildout based on the present General Plan Land Use Element. Although there is no specific date at which the City will attain its "built out" status, it appears that these figures fall short of both SCAG's and Orange County's projections for the year 1990 and beyond. Recycling and infilling may tend to increase the estimated housing growth projections, and it is possible that amendments to the General Plan could convert areas presently designated Planning Reserve and Resource Production to residential use or increase densities on existing residential areas.

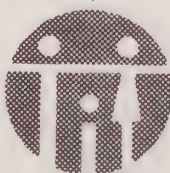


TABLE 2-3
VACANT ACREAGE AND PROBABLE DEVELOPMENT

<u>Land Use Category</u>	<u>Number of Vacant Acres</u>	<u>Probable Density</u>	<u># Units</u>	<u>Maximum Density</u>	<u># Units</u>
Estate 0-2 units/acre	150	2 units/acre	300	2 units/acre	300
Estate 0-4 units/acre	137	4 units/acre	548	4 units/acre	548
Low Density 0-7 units/acre	670	4.5 units/acre	3,015	7 units/acre	4,690
Medium Density 7-15 units/acre	356	13.0 units/acre	4,628	15 units/acre	5,340
High Density 15-35 units/acre	55	27.0 units/acre	1,485	35 units/acre	1,925
Seacliff Planned Community	433	10 units/acre	4,330	20 units/acre	8,660
TOTAL	1,801 acres		14,306 units		21,463 units

Source: Huntington Beach Department of Development Services



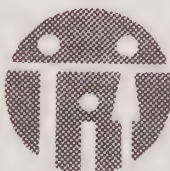
3. Housing Problems and Needs

3.0 HOUSING PROBLEMS AND NEEDS

In order to develop strategies and programs to ensure that all economic segments of the community are provided adequate housing opportunities, the community's housing needs and problems must be accurately assessed. The previous section presented an overview of the City's housing and population characteristics and discussed potential problem areas. This section attempts to quantify the City's housing needs to establish a basis for the formulation of housing goals, policies, and programs.

In accordance with the State guidelines, this section addresses two types of housing need. The first involves an assessment of immediate housing needs in terms of affordability, overcrowding, and suitability/habitability. In addition, the special needs of the elderly, handicapped, minorities, families, and mobile home residents will be addressed. The second type of need to be analyzed is that of market rate housing over a five year period, taking into consideration anticipated housing, population, employment, and household growth.

The statistical information presented in this section is taken primarily from the January 1979 Department of Finance Special Census of the City of Huntington Beach and SCAG's Regional Housing Allocation Model (adopted April, 1977, updated December, 1978) and Areawide Housing Opportunities Plan (updated June, 1979).



3.1 Immediate Housing Needs

3.1.1 Affordability

State housing policy recognizes that the cooperative participation of the private and public sectors is necessary to expand housing opportunities to all economic segments of the community. A primary goal is the provision of a decent home and a satisfying environment that is within the economic means of the households who occupy it. The private sector is generally responsive to the majority of a community's housing needs through the production of market rate housing. However, in certain areas where the housing supply is limited or demand is unusually high, housing opportunities are restricted, especially to households with low and moderate incomes.

The federal government defines lower income households as those earning less than 80 percent of the areawide median income, and moderate income households as those earning between 80 and 120 percent of the areawide median income, both adjusted for household size. The Department of Housing and Urban Development has established the figure of \$19,500 as the median income for a family of four in Orange County for 1978. Using this income figure, and making adjustments for household size, the 1979 special census reveals that 13,736 households or 23.1 percent of all households in the City of Huntington Beach have lower incomes, and 13,352 households, 22.5 percent, have moderate incomes. The remaining 32,280 households, 54.4 percent, are considered upper income households. Estimates of the number of households were adjusted upward from actual census responses to account for the over 20,000 households that did not respond to questions concerning household income.

With nearly a quarter of the households in Huntington Beach identified as having lower incomes, affordability of housing, and especially new housing, is a major concern. The provision of adequate housing opportunities for lower and moderate income households has been identified as the major component of housing need in the Southern California region, and is one of the primary needs to be addressed in this Housing Element. The following criteria are utilized to determine the extent of the affordability problem in Huntington Beach:

1. For lower income households, housing is considered affordable if the monthly mortgage or rent payment does not exceed 25 percent of the household's income.
2. For moderate income households, housing is considered affordable if the monthly mortgage or rent payment does not exceed 30 percent of the household's income (see Tables 3-1 and 3-2).

While many households willingly choose to spend more than 25 or 30 percent of their incomes for mortgage or rent payments, those households with low and moderate incomes pay proportionately more for housing, consequently reducing income available for other necessities such as food, clothing, and transportation. The lack of decent affordable housing often leads to overcrowding, the continued occupancy of deteriorated units, and other related housing problems.



TABLE 3-1
INCOME AND AFFORDABLE HOUSING PAYMENT LIMITS

<u>Household Size</u>	<u>Low Income Maximum</u>	<u>25% Monthly Rent or Payment</u>	<u>Moderate Income Maximum</u>	<u>30% Monthly Rent or Payment</u>
1 Person	\$10,920	\$227.50	\$16,380	409.50
2 Persons	12,480	260.00	18,720	468.00
3 Persons	14,040	292.50	21,060	526.50
4 Persons	15,600	325.00	23,400	585.00
5 Persons	16,575	345.50	24,863	621.50
6 Persons	17,550	366.00	26,326	658.00
7 Persons	18,525	386.00	27,786	694.75
8 Persons	19,500	406.00	29,250	731.25

Source: Huntington Beach Department of Development Services, based on 1979 Orange County median income of \$19,500 as determined by U.S. Department of Housing and Urban Development.



TABLE 3-2
SALES PRICES OF AFFORDABLE HOUSING⁽¹⁾

<u>Family Size</u>	<u>Income</u>		<u>No. of Bedrooms</u>	<u>Purchase Price</u>	
	Low ⁽²⁾	Moderate ⁽³⁾		Low	Moderate
1 Person	\$10,920	\$16,380	0	\$27,300	\$40,950
2 Persons	12,480	18,720	1	31,200	46,800
3 Persons	14,040	21,060	2	35,100	52,650
4 Persons	15,600	23,400	2	39,000	58,500
5 Persons	16,575	24,863	3	41,438	62,158
6 Persons	17,550	26,326	3	43,875	65,815
7 Persons	18,525	27,787	4	46,313	69,468
8 Persons	19,500	29,250	4	48,750	73,125

(1) These prices are estimated on the basis of 2.5 times annual income, a rule of thumb often used by lenders. Actual monthly payments will vary considerably, depending on the amount of the down payment, the length of the loan period, and the interest rate of the loan.

(2) 80% of median county average income (\$19,500 in 1978).

(3) 120% of median county average income.

Source: Huntington Beach Department of Development Services



3.1.2 Lower Income Households Needing Housing Assistance

Estimates of the number of lower income households in need of housing assistance are taken from SCAG's Regional Housing Allocation Model (RHAM), recently updated in December 1978⁽¹⁾. Data from the RHAM is presented in a series of tables which have been included in Appendix C of the Housing Element. Data from the 1979 special census is used to determine the extent of housing need for moderate income households and to provide comparison information for lower income households.

SCAG estimates that there are a total of 7,595 lower income households presently residing in Huntington Beach in need of housing assistance. This number represents approximately 55 percent of all lower income households in the city. Of these households, 1,081 (14 percent) are owner occupied and 6,514 (86 percent) are renter occupied. Elderly and handicapped households account for 1,075 (14 percent) of the total and large families (5 or more persons) comprised another 2,284 (30 percent) of the 7,595 households needing assistance. Minorities occupy 1,409 (18.6 percent) of all lower income households needing assistance and 3,215 (42 percent) households identified as needing assistance are headed by females.

3.1.3 Fair Share Adjustment

SCAG's estimates of Huntington Beach's housing needs include a "fair share" adjustment of an additional 1,932 households. Because housing need is a function of the regional housing market, housing policies and programs adopted by local agencies have regional as well as local impacts. Other local land use and development policies which determine the distribution of employment and population also affect the region's housing supply and demand characteristics. In order that each locality accept some share of the collective responsibility for making adequate provision for the housing needs of all economic segments in the market area, and recognizing the importance of a coordinated response to the regional housing problem, the State housing element guidelines require regional councils of governments to develop a fair share adjustment. The fair share adjustment, which varies between localities, is based on the city's proximity to jobs, its ability to provide public services and facilities, the relationship of the local income distribution to regional income distribution, and expected community growth.

Of the 1,932 fair share households identified by SCAG, 251 (13 percent) are elderly and handicapped, and 560 (29 percent) are large families. Minorities account for 363 (19 percent) of Huntington Beach's fair share adjustment. The 1,932 households assigned to Huntington Beach represent the second largest fair share adjustment for cities in Orange County, bringing the total number of lower income households needing assistance in the City to 9,527.

(1) SCAG estimates of lower income households needing assistance, rather than independent local data, is preferred by the State HCD to facilitate comparison of jurisdictions throughout the region.



3.1.4 Special Census Results

As part of the 1979 special census, residents were asked to indicate their annual household income and monthly mortgage or rent payments. While the census responses differ slightly from SCAG's estimates, the data is outlined here for comparison and to present a more detailed breakdown of the affordability problem. The census results report that, of the households that responded to both questions (income and housing payment), approximately 6,807 lower income households, nearly 77 percent of all such households, are paying in excess of 25 percent of their income for housing. Renters account for approximately two-thirds of the lower income households facing affordability problems, and owners the remaining one-third. One-person, three-person, and large family lower income households are the hardest hit.

LOWER INCOME HOUSEHOLDS

<u>Household Size</u>	<u>All Lower Income Households</u>	<u>Total Households Overpaying</u>		<u>Renters</u>	<u>Owners</u>
		#	%		
1 Person	2,346	1,984	84.6%	1,318	666
2 Persons	2,969	1,974	66.5	1,304	670
3 Persons	1,554	1,358	87.4	954	404
4 Persons	1,119	746	66.7	521	225
5+ Persons	860	745	86.6	466	279
TOTAL	8,848	6,807	76.9%	4,563	2,244

The problem of overpaying also affects moderate income households in Huntington Beach, although the problem is much less severe for this group, in which up to 30 percent of the household income is allowed for housing payments. The following table presents special census results for moderate income households. While there is not much variation by household size, overpaying in this group affects more owners than renters, contrary to the results for lower income households.

MODERATE INCOME HOUSEHOLDS

<u>Household Size</u>	<u>All Moderate Income Households</u>	<u>Total Households Overpaying</u>		<u>Renters</u>	<u>Owners</u>
		#	%		
1 Person	1,407	235	16.7%	108	127
2 Persons	2,532	360	14.2	151	209
3 Persons	1,665	284	17.1	87	197
4 Persons	1,938	338	17.4	76	262
5+ Persons	1,279	175	13.7	32	143
TOTAL	8,821	1,392	15.8%	454	938

It should be noted that the statistics presented in the above tables reflect only those lower and moderate income households that actually responded to the census questions concerning income and housing payments. Approximately 35 percent of



all households in the city did not respond to the census questions. It is estimated that there could exist an additional 4,888 lower and 4,531 moderate income households. Assuming that overpaying exists to the same extent among the non-responding households as those responding, the number of lower and moderate income households needing housing assistance could actually be as high as 10,566 and 9,536 respectively. The uncertainty as to the actual distribution of such a large number of non-responding households indicates that SCAG's estimate of 7,595 lower income households in need of assistance, which lies between the census response and the adjusted estimate, may be a more accurate assessment of the affordable housing need of the community's lower income households.

3.1.5 Privacy and Overcrowding

The provision of housing which contains enough rooms to provide reasonable privacy for its occupants is also a goal of State housing policy. A reasonable privacy standard is the provision of at least as many rooms as there are persons in the household. Overcrowding exists when the ratio of persons to rooms within the household exceeds 1.01 persons per room according to HCD guidelines. Bathrooms, porches, halls, balconies, foyers, and half rooms are not counted in determining the ratio of persons to rooms.

The 1979 special census reveals that, based on actual responses compared to all households, between 1,215 and 1,386 households in Huntington Beach currently experience some degree of overcrowding. Furthermore, 76 percent of these households are occupied by large families (5 or more persons).

The estimate of 7,595 lower income households in need of housing assistance provided by SCAG takes into account overcrowded households as well as those overpaying, as a considerable number of households may experience both problems.

3.1.6 Suitability and Habitability

Problems with suitability or habitability of housing refer to the number of households occupying dwelling units which are in need of rehabilitation or replacement. An unsuitable unit is defined as a housing unit which in its present state materially endangers the health, safety, or well-being of its occupants in one or more respects, and is either economically feasible to repair ("needing rehabilitation") or is not economically feasible to repair ("needing replacement").

Estimates of the number of unsound housing units were presented section 2.1.2. SCAG's 1978 Areawide Housing Opportunity Plan estimates that a total of 1,370 substandard housing units currently exist in Huntington Beach (380 owner-occupied and 990 renter-occupied). Of these units, a total of 1,023 (257 owner-occupied and 766 renter-occupied) are considered suitable for rehabilitation. The remaining 347 units (123 owner-occupied and 224 renter-occupied) are considered as needing replacement. Together, units needing rehabilitation and replacement represent 2.2 percent of Huntington Beach's current total housing stock and 5.1 percent of the estimated 26,948 unsound housing units in Orange County. The City's estimated 1,023 units needing rehabilitation represent 4.9 percent of the County total of 20,837 units. The City's 347 replacement units constitute 5.7 percent of the County's estimated 6,111 units.



If Huntington Beach's share of Orange County's unsound units remains constant at 5.1 percent through 1990, a total of 2,903 housing units will need rehabilitation (2,168 units) or replacement (735 units) according to SCAG. Over many years, as the City's housing stock ages, a larger number of units may need rehabilitation or replacement.

3.1.7 Special Needs

In addition to analyzing housing needs related to affordability, overcrowding, and suitability, the State housing element guidelines encourage localities to analyze the special housing needs of large families, minority households, the elderly, the handicapped, and others as the locality deems appropriate. Although SCAG's estimates of housing needs address these special groups, the following sections provide additional information which may be helpful in determining the scope and direction of the City's housing policies and programs.

3.1.7.1 Large Families

Large families with five or more persons occupy 7,238 households, or 12.2 percent of all households in Huntington Beach. The preceding sections indicated that large families account for 10.9 percent of all lower and 12.6 percent of all moderate income households overpaying for housing, roughly equal to their distribution among all households. The special census results report that the 1978 median income for households with five or more persons in Huntington Beach was \$27,461, about 32 percent higher than the Orange County median of \$20,720 for a family of five. Although large families generally earn higher wages, and despite the abundance of large homes in the city, there is some indication that housing choice is limited. This is evidenced by the fact that large families comprise 76 percent of all overcrowded households in Huntington Beach.

While overcrowding among larger households is to be expected to some extent, the existence of approximately 1,000 overcrowded large family households is significant. Overcrowding may occur as a result of couples and small families moving into the city, and over a period of years raising large families without moving to larger houses. Overcrowding also may occur when large families moving into Huntington Beach cannot find large enough homes at a price they can reasonably afford. In this case, increased crowding may be preferred to overpaying or living elsewhere. SCAG's Areawide Housing Opportunities Plan identifies a total of 2,284 large family households as needing housing assistance due to overcrowding or overpaying.

3.1.7.2 Elderly Households

An estimated 11,775 elderly persons (62 years of age or older) currently reside in the City of Huntington Beach, or about 7 percent of the total city population. A total of 6,722 households (11.3 percent of all households) are headed by elderly persons, 70 percent in owner occupied units and 30 percent in rental units. Nearly half of all elderly households in the city are lower income households and, of these, approximately 1,880 or 56 percent, are paying greater than 25 percent of their income for housing. The City's mobile home parks provide reasonably



affordable housing for elderly households, and many elderly may also be original residents of the Downtown and Oldtown areas who own their homes outright. Nonetheless, escalating housing costs, especially in the rental market, severely impact the elderly population, many of whom are on fixed incomes.

3.1.7.3 Handicapped Households

Approximately 3,760 households, or 6.3 percent of all households in the city, have one or more persons with some type of handicap. While certain handicapped individuals (those who are blind, deaf, or have nervous disabilities) may live comfortably without special housing accommodations, persons with ambulatory handicaps who require wheelchairs often need specially-designed, barrier free housing that is also affordable. In many cases, households have both elderly and handicapped members; these households deserve special attention. SCAG's Areawide Housing Opportunities Plan identifies 1,075 elderly and/or handicapped households in need of housing assistance.

3.1.7.4 Minority Households

Nonwhite minorities now comprise over 13 percent of the city's total population and 11.6 percent of all resident households. Of the 6,913 households headed by minorities, Hispanics comprise 31 percent, Blacks 5 percent, Southeast Asians 4 percent, and American Indians 3 percent. The "other" category (mostly oriental) comprises 57 percent of minority-headed households. Responses to special census questions on income and housing payments reveal that approximately 29 percent of all minority households earn lower incomes. Lower household incomes affect Southeast Asians and Hispanics more than other minority groups; in these groups, lower income households comprise 54 percent and 38 percent of all households, respectively.

Of the 1,023 lower income minority households who responded to the census, 766 or 75 percent, indicated they were paying over 25 percent of their income for housing. Southeast Asians showed the highest rate of overpaying, Hispanics the lowest rate for minority households. Generally, overpaying occurred more in rental units than in owner-occupied units. These figures are reflective only of households who responded, the actual number of minority households needing assistance may be as high as 1,500. SCAG has indicated a figure of 1,409 lower income minority households in need of housing assistance, 86 percent of which are Hispanic households.

3.1.7.5 Mobile Home Residents

There are 3,265 mobile home dwelling units in the city. These appear to represent a significant portion of the existing low and moderate income affordable housing. The escalating cost of mobile home space rentals is becoming a problem, especially for those households on fixed incomes. The average size of mobile home households is 1.69 persons, indicating that many mobile home occupants may be elderly retired people. Households occupying mobile homes do not have a great deal of locational choice because 1) it is very expensive to move mobile homes, 2) there is a great shortage of spaces for existing older units since coaches are



generally sold on the site and 3) new parks will not accept older units. Few new parks have been developed in recent years due to high land costs and restrictive zoning. Where new parks have been developed, rents are considerably higher than the old parks and initial costs for new mobile homes generally exceed \$20,000 - considerably more than the value of an older coach. Because new mobile homes are considerably less expensive than conventional housing, financing is available only up to 20 years, with 15 year mortgages more common. Interest rates for mobile homes are generally higher than for conventional housing, ranging from $12\frac{1}{2}$ to 14 percent.

Older mobile home parks within the city are in desirable locations, often in older portions of the city, where recycling of land uses is likely to occur. This presents a problem for relocating existing residents, since the affordability of their present dwelling will be difficult or impossible to duplicate.

3.2 Prospective Housing Needs

The previous section identified areas in which the City's present housing supply falls short of providing all economic segments of the community and persons having special needs with adequate housing opportunities. Because most of the housing produced by current market forces is generally not available at prices these households can reasonably afford, the public and private sectors must cooperate to produce and make available housing at less than market rates. Having examined the need for non-market rate households, the housing element will now address the prospective need for market rate housing over a five-year period, based on anticipated population and employment growth, new household formation, and shifting housing preferences.

3.2.1 Population Growth

Population growth in the City of Huntington Beach has been and will continue to be a function of new residential development and an increasing housing stock. While the City experienced its peak rate of growth during the sixties, the community's desirable location will continue to attract new residential growth and housing opportunities. Estimates of the City's future population growth were presented in section 2.3, and indicated continued growth through the year 2000. Over the next five years, the following growth patterns are anticipated:

<u>Year</u>	<u>Housing Units</u>	<u>Population</u>
1979	62,251	167,419
1980	63,500	169,400
1981	65,200	172,500
1982	67,000	175,900
1983	69,000	179,600
1984	70,900	183,000
1985	72,700	186,100



New residential construction is expected to add between 1,700 and 2,000 housing units and 3,100-3,700 new residents per year through 1985. Within these growth parameters, the City should endeavor to provide for as many lower and moderately-priced units as is economically feasible. Even with the active participation of the building industry in affordable housing programs, the majority of new housing units built will be market rate units.

3.2.2 Employment Growth

The need for housing within a given market area is largely dependent on the local economy and number and types of jobs available. During the sixties, much of the new home construction in Huntington Beach appealed to households employed in the Los Angeles area. During this period, the Orange County economy began to grow and diversify from a concentration of large industrial employers to include more ancillary and service jobs. The continuing diversification of the local economy attracts a greater variety of non-skilled, semi-skilled, and professional workers, all of whom should be provided with adequate housing opportunities and choice. To a great extent, low density zoning and inflating land values have perpetuated the production of larger luxury homes in Huntington Beach and other neighboring communities, limiting the housing opportunities for households with lower incomes. The failure of individual communities to provide a range of housing opportunities to match the regional economy causes longer commutes to work and the concentration of lower income groups in older areas of the county.

An assessment of the prospective need for market rate housing over the next five years must take into consideration the number, type, and wage levels of new jobs created in both the City and the County. At the present time, 16 percent of the City's households stated that the head of household was employed in Huntington Beach, with an additional 29 percent employed in Orange County, and 26 percent in Los Angeles County. On the other hand, the City provided employment for 36,454 persons in 1978, approximately 4.8 percent of all workers in Orange County. The number of jobs, average wages, and employment projections for the City and County are presented in Table 3-3. The number of jobs in Huntington Beach is expected to increase to 45,870 by 1985 if the City to County ratio of jobs in each category remains constant.

A total of 82,438 city residents are employed in some capacity, or an average of 1.4 jobs per household. With an expected increase of some 6,800 jobs between 1979 and 1985, employment growth alone could account for approximately 4,860 additional households in the city.

3.2.3 New Household Formation and Housing Preference

The average size of households in Huntington Beach and Orange County is expected to drop over the next five years to an estimated 2.65 persons per household by 1985. Given smaller households and increasing demand for housing, the construction of smaller 1, 2, and 3 bedroom units at higher densities is probable. New households may be willing to sacrifice space and luxury amenities in order to obtain affordable housing. The obstacles encountered by smaller households in qualifying for home purchase may increase demand for affordable rental units.

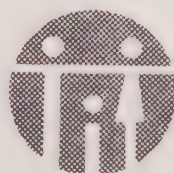


TABLE 3-3

EMPLOYMENT PROJECTIONS FOR HUNTINGTON BEACH

	<u>Average Yearly Wage-1977</u>	<u># of Jobs Actual 1978</u>	<u># of Jobs Forecast 1979</u>	<u># of Jobs Forecast 1980</u>	<u># of Jobs Forecast 1985</u>	<u>Change '79-85</u>	<u>Yearly Change '79-85</u>
Total-Orange County	\$11,780	757,400	811,800	838,600	967,000	155,200	25,680
Total HB	unavailable	36,454	39,072	40,341	45,870	6,798	1,133
Agriculture	\$ 7,857	1,136	1,218	1,258	1,160	-58	-10
Mining	\$21,151	350	375	387	299	-76	-13
Construction	\$16,608	764	818	825	952	+134	+22
Manufacturing	\$14,100	8,698	9,323	9,631	11,317	+1,994	+332
Trade	\$ 8,802	11,026	11,818	12,208	14,301	+2,483	+414
Transportation/ Public Utilities	\$15,074	1,357	1,455	1,503	1,733	+278	+46
Financial/ Insurance/ Real Estate	\$11,977	1,650	1,768	1,827	2,138	+370	+62
Services	\$10,461	5,434	5,824	6,016	7,167	+1,343	+224
Government	\$11,900	6,039	6,473	6,686	6,803	+330	+55

Source: Huntington Beach Department of Development Services, based on data from the State of California Employment Development Department for the Anaheim-Santa Ana-Garden Grove Standard Metropolitan Statistical Area.



4. Housing Constraints

4.0 HOUSING CONSTRAINTS

The ability of the private sector to provide housing is affected by forces in both the marketplace and the governmental arena. These forces will be discussed in the following sections, and their effects on the cost, types, and quantity of housing examined.

4.1 Market Constraints

Several factors influence the feasibility and cost of privately developed housing. Within the market area there is demand for a wide range of housing types and price categories. Which demands will be satisfied depends upon the interpretation of demand by the developer, the costs of land, construction, and financing, and the developer's opportunity for profit. The availability of land for various types and density of housing also affects development decisions. Governmental requirements and constraints interact with market forces and are discussed separately in Section 4.2.

4.1.1 Land Costs

Costs associated with the acquisition and improvement of land include the market price of raw land, the costs of holding land throughout the development process, and necessary improvements to the land prior to construction. It has been estimated that these costs contribute 25-30 percent to the final sales price of new homes.



Necessary improvements to land are estimated at \$5,000 - \$8,000 per unit for single family dwellings. This includes streets, curbs, gutters, lighting, parkway landscaping or other amenities, water and sewage lines, and utility connections to each site. Reductions in these expenses may depend upon reducing City standards.

Land holding costs during development are estimated at \$600-\$1,000 per unit for a 9 to 12 month period. This figure is determined by interest rates on acquisition and development loans, which presently run 2-4 percent above the prime rate. Interest rates are not amenable to control by local jurisdictions, therefore the greatest inroad that can be made on holding costs would be through shorter processing times for development permits. Processing time has a much larger impact on construction costs than on holding costs, however, due to inflationary effects on construction and labor.

The major component of total land cost is the price of raw land. Land prices in the city are quite high - \$200,000-\$300,000 per acre is common. A medium-density (15 units per acre) residential development would incur a per unit land cost of \$13,333. A density increase to 20 units per acre would reduce land costs to \$10,000 per unit and could reduce the sales price on a 1,000 square foot house from \$67,000 to \$62,000. The City, however, cannot control the market price of its land, which is pushed upward by speculation, high demand, dwindling supply, and desirable proximity to the coast. One alternative to prevent inflating land costs is for the City to "bank" land by outright purchase or donation in order to assure continued availability of sites that can be used for affordable housing (see Appendix D).

Left alone, the rapidly escalating market price of land will tend to encourage mainly higher priced development. Higher density zoning could reduce the cost per unit of land, but land zoned higher density commands a higher market price. For this reason, density bonuses rather than zoning changes may be the preferred vehicle for reducing land costs.

The cost of the acquisition and development of land may also be lowered by a developer's use of mortgage backed revenue bonds if and when they become available. Under such a program tax-free bonds would be sold by the government to provide low interest loans to interested developers and homeowners. This program is presently being developed at the County level, and it has not yet been determined what agency will administer the funds, how much money will be available, or what the conditions on its use will be.

4.1.2 Construction Costs

Construction and land costs together represent between 65 and 75 percent of the sales price of housing. Average construction costs at present are between \$24 and \$35 per square foot depending on the level of amenities and the type of units (single family detached, attached condominiums, or apartments).



"Bare bones" construction, or a reduction in amenities and quality of materials (above a minimum level of acceptability for health, safety, and adequate performance) could result in lower sales prices. Another alternative might be factory built housing. Although factory built housing was not judged economically competitive in 1976 (see 4.2.4, Appendix B of the Huntington Beach Housing Element Background Report, August, 1976), the balance between cost factors may have shifted since then in such a way as to favor factory built housing. This possibility should be investigated.

A major contribution to increasing prices is the rate of inflation in construction costs. Prices for materials and wages are inflating rapidly, sometimes far in excess of the Consumer Price Index. Delays in development are therefore very expensive. For each month that development is delayed, it is estimated that sales price increases 1.1 to 1.5⁽¹⁾ percent. Streamlining of permit processing procedures thus may help minimize housing prices.

An additional cost factor is related to the number of units built at the same time; as this number increases, construction costs over the entire development are reduced because 1) earlier build-out reduces the effect of inflation on prices and 2) some costs can be lowered by buying or installing in larger quantity. This factor provides an additional benefit when density bonuses are utilized.

4.1.3 Financing costs

The impact of interest rates on housing is substantial, both for renters and purchasers. Interest rates however, are determined by national policies and economic conditions, and there is little that local agencies can do to affect these rates.

Presently, interest rates for home mortgages on owner-occupied single family dwellings are approximately 11 3/4 percent. Rates for rental units and interim and construction loans are higher. The high costs of borrowing money are passed on to housing consumers by developers and landlords as part of their business expense. For purchasers, each one percent increase in interest rates on mortgages translates into 75 cents per thousand dollars per month of payment on a 30 year loan. Table 4-1 shows the monthly payment (principal and interest) required for a 30 year loan at various purchase prices and interest rates.

For prospective purchasers, the required downpayment may be an obstacle to obtaining suitable housing. Conventional financing generally requires 10-20 percent of the sale price of the unit be paid as a downpayment. Accumulating such a large amount of capital can be a problem for first time entrants into the housing market. Households which are relocating will often have enough equity in a previous residence to meet the downpayment requirements of the next home. Government insured loan programs may be available to reduce the downpayment

(1) Orange County Cost of Housing Committee, Methods of Reducing Housing Costs.



TABLE 4-1

MONTHLY MORTGAGE PAYMENTS (PRINCIPAL AND INTEREST) 30 YEAR AMORTIZATION

		<u>PRICE</u>															
		75,000				100,000				125,000				150,000			
Down Payment		0%	5%	10%	20%	0%	5%	10%	20%	0%	5%	10%	20%	0%	5%	10%	20%
Interest Rates																	
9.0		603	581	543	483	805	764	724	684	1006	955	905	805	1207	1147	1086	966
9.25		617	586	555	494	823	781	740	699	1028	977	925	823	1234	1172	1111	987
9.50		630	599	567	504	841	799	757	715	1051	998	946	841	1261	1198	1135	1009
9.75		644	612	580	515	859	816	773	730	1074	1020	967	859	1289	1224	1160	1031
10.00		658	625	592	527	878	834	790	746	1097	1042	987	878	1316	1251	1185	1053
10.25		672	639	605	538	896	851	807	762	1120	1064	1008	896	1344	1277	1210	1075
10.50		686	652	617	549	915	869	823	778	1143	1086	1029	915	1372	1304	1235	1098
10.75		700	665	630	560	934	887	840	793	1167	1109	1050	934	1400	1330	1260	1120
11.00		714	679	643	571	952	904	857	810	1190	1131	1071	952	1429	1357	1286	1143
11.25		728	692	656	583	971	923	874	777	1214	1152	1093	971	1457	1384	1311	1166
11.50		743	708	668	594	990	941	891	792	1238	1176	1114	990	1485	1411	1337	1186
11.75		757	719	681	606	1009	959	908	808	1262	1191	1136	1009	1514	1438	1363	1211
12.00		771	733	694	617	1029	977	926	823	1286	1221	1157	1029	1543	1466	1389	1232

Source: Huntington Beach Department of Development Services taken from the Monthly Mortgage Calculator for Conventional and FHA Loans, Financial Publishing Company, 1974.

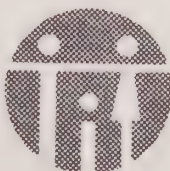
requirements considerably if the household and/or desired property meet certain qualifications. V.A. loans, which are available to veterans currently at interest rates of 10 percent require no downpayment, but have an upper limit on purchase price of \$100,000. F.H.A. insured loans may require 5-10 percent downpayment, at 10% rate of interest, with a limit of \$60,000 on the loan amount. These types of financing often require the seller to pay additional money, called points, to compensate the lender for lower interest rates. In a constricted housing market with high demand it is difficult to find sellers who will agree to these terms, even if the property is priced within the allowable limits.

There are other financing programs available that can aid low and moderate income households to obtain adequate housing. Graduated monthly payment mortgages allow a purchaser to make smaller monthly payments during the early years of the loan and larger monthly payments during later years when, hopefully, income will have increased. Low interest loans may be available soon through mortgage backed revenue bonds. Mortgage assistance is also possible through the 235 loan program administered by the Federal Department of Housing and Urban Development. Federal mortgage assistance programs are discussed in more detail in section 5.2.3.

4.1.4 Availability of Land

The greatest constraint to the production of new housing in Huntington Beach, regardless of price, is the availability of vacant developable land. The incorporated area of the city encompasses approximately 17,174 acres of land; of this, an estimated 14,980 acres are currently developed, about 87 percent of all land in the city. Of the nearly 2,200 vacant acres that remain, approximately 1,288 acres are presently designated for residential use, with the majority in the Estate and Low Density categories. Only 400 acres of vacant medium and high density land are available for the development of condominiums and rental units to accommodate the city's housing needs. The City will consider implementing general plan amendments and/or zone changes to increase density and offering density bonuses to developers of large projects in order to achieve identified housing goals. However, any contemplated increases in density are limited by the ability of the City's existing and planned system of community facilities and municipal services to adequately and safely accommodate designated land uses throughout the city. The City is currently developing the scope of work for a Community Facilities Element to the General Plan, which will set forth policies to guide the timing and extent of the development of public facilities and services in the city.

Subdivision patterns also affect the availability of land for new development. Much of the remaining vacant land in the city exists in scattered, smaller parcels. In some cases, these parcels may be landlocked or substandard for development. While the collective acreage may be adequate to allow development in pursuit of housing goals, the suitability of individual sites is often hampered by multiple ownership and/or poor configuration, poor location, or environmental constraints.



4.2 Governmental Constraints

Local governments affect the supply, distribution, and cost of housing through land use controls, building codes, development permits, and processing fees. Compliance with State-mandated requirements such as environmental impact assessment and Coastal Commission approval procedures may also influence the cost and nature of residential development. In addition, property taxes and special assessments contribute to governmental impact on housing. This section discusses how each of these factors relates to the City's ability to respond to its housing needs.

4.2.1 Land Use Controls

The City's policies for development are set forth in the General Plan, which contains nine state-mandated elements dealing with the issues of land use, circulation, housing, noise, safety, seismic safety, open space, conservation, and scenic highways. While the issues and policies related to housing are addressed primarily in the Housing Element, policies contained in all of the other elements significantly affect the character and production of housing in Huntington Beach. The relationship of the other general plan elements to the Housing Element is discussed in Section 1.3.

The location and types of housing in the city are determined to a great extent by development policies contained in the Land Use Element, which establishes the amount and distribution of various land uses throughout the city. Residential development is allowed in the following General Plan land use categories:

<u>Land Use Category</u>	<u>Allowable Density</u>	<u>Total Acreage Designated</u>	<u>Percent of Total City Acreage</u>
Estate Residential	0-4 units/gross acre	287 acres	1.7%
Low Density Residential	0-7 units/gross acre	8,846	51.5%
Medium Density Residential	0-15 units/gross acre	1,857	10.8%
High Density Residential	15+ units/gross acre	480	2.8%
Mixed Development	varies	195	1.1%
Planned Community	varies	433	2.5%

The density of development allowed under these designations determines the type of housing that is developed. Over half of the city's incorporated land area is planned for low density residential use, which explains the predominance of detached single family homes. Considerably less acreage is planned for medium and high density uses, which characteristically provide condominium and apartment units. Mobile home parks are found in both low and medium density areas. The areas of the city designated Mixed Development and Planned Community allow for a mixture of uses, densities, and housing types.



Generally speaking, the more units per acre, the less cost per unit for fees, required improvements, and developers' overhead cost. It is estimated that, considering all of the costs associated with development, low and moderate income housing is not economically feasible to produce at densities lower than 18 units per acre. Presently, only 55 acres of undeveloped high density land remain in the city, and the majority of this exists in small remnant and unconsolidated parcels. Nearly half of the 55 acres are located along the first block of the townlot area within the coastal zone boundary where land costs are high. The suitability of this area for low and moderate income housing is very limited.

The City currently has approximately 356 acres of undeveloped medium density land. With the adoption of an inclusionary zoning ordinance offering density bonuses and/or reduced off-site improvements, this medium density land could provide for affordable housing.⁽¹⁾

Under the existing City code, a developer may build a portion of any one project at a higher density and a portion at a lower density, as long as the overall density of the entire project does not exceed that which the zoning allows. This approach may allow certain units within a project to be available at a lower cost.

The City's coastal location and lack of abundant vacant land has contributed to the inflation of land values. High land costs, when coupled with the relatively low density of development allowed under the City's General Plan, constrains the building industry from producing abundant affordable housing. In the absence of special incentive programs (i.e., density bonus, reduced improvements, inclusionary zoning, etc.) the private sector will continue to experience difficulties in expanding housing opportunities for low and moderate income households given present residential land use controls.

(1)"Inclusionary zoning" refers to a method by which communities require or encourage developers to include housing that is affordable to low and/or moderate income households in new projects. The effective mechanisms for either requiring or encouraging a specified percentage of new development to include these units are usually zoning and/or subdivision ordinances.

In order to make the inclusionary zoning requirement economically feasible and palatable to developers, it is often combined with a "density bonus" which allows the builder to construct more units per acre than would be permissible under the existing zoning regulations. Particularly where land costs are high and represent a significant proportion of total unit cost, a density bonus may be the only means of obtaining new non-market rate housing without government subsidy. The additional units allowable with a density bonus offset land and site preparation costs for the required non-market rate units, thereby permitting the developer to fulfill the inclusionary zoning requirement without increasing the cost of the market rate units. Density bonuses can be combined with fast-track processing, a permitted reduction in amenities, slightly smaller unit size, and/or government assisted financing programs to further increase the production of affordable housing. Appendix E presents a review of inclusionary zoning programs adopted by other jurisdictions.



4.2.2 Local Building Codes

Huntington Beach has adopted the Uniform Building Code, which establishes minimum construction standards. Although a locality may impose more stringent standards, it cannot adopt any which are below those of the UBC. Thus, the City cannot reduce construction costs by revising the City Code, as some cities with stricter standards are able to do.

4.2.3 Required off-site and on-site improvements

Developers of single family residential tracts in the city are required to install arterial and local streets, curbs, gutters, sidewalks, sewers, street lighting, and trees in the public right-of-way within and adjacent to a tract. These facilities are, in most cases, dedicated to the City, which is responsible for maintenance. The cost of these required off-site improvements is estimated at \$50 per front foot, which in turn adds approximately \$5,000 to the sales price of each dwelling unit.

While there are no required on-site improvements for lots created by a typical single family subdivision, some on-site improvements are required for planned residential developments and apartments. For example, private streets and landscaping within a planned development must meet standards set forth in the zoning ordinance. Additionally, a minimum of 10,000 square feet of recreational area is required within all planned developments, regardless of the size or density of the project. All off-site improvements mentioned above are also required for planned developments. Apartment developments are subject to minimum on-site open space and parking requirements as well as off-site improvements.

4.2.4 Permits

As specific projects are initiated, detailed approvals are required which take the form of permits and inspections. The average application and permit processing times are given in Table 4-2.

The skyrocketing cost of housing is often blamed in part on governmental delays and bureaucratic red tape. Unquestionably, more stringent development regulations have increased processing time and thus added to housing costs. It has been estimated that every month a residential project is delayed beyond its planned construction start date, the cost per dwelling unit increases by at least 1.1 to 1.5 percent of the planned selling price.⁽¹⁾ One potential way to reduce housing costs would be to reduce the time necessary for processing of permits. A comparison of average processing times for Huntington Beach and selected other localities is presented in Table 4-3. At present, it would not appear that significant savings would result from "fast track" processing because these times are relatively short in the City.

(1) Orange County Cost of Housing Committee



TABLE 4-2
PROCESSING TIME AND FEES

<u>Application</u>	<u>Processing Time In Weeks</u>	<u>Application Fee⁽¹⁾</u>
<u>BOARD OF ZONING ADJUSTMENTS</u>		
Lot Line Adjustment	2-3	\$75.00
Use Permit	3	\$75.00
Conditional Exception	3	\$75.00
Plot Plan Amendment	3	\$75.00
Administrative Review	2-3	\$10.00
Tentative Parcel Map	3	\$75.00
<u>PLANNING COMMISSION</u>		
Conditional Exception	4	\$150.00
Conditional Use Permit	4	\$200.00
Tentative Tract Map	4	\$250.00
Zone Change*	4	\$325.00
General Plan Amendment*	12	\$325.00
Code Amendment*	6	\$325.00
Precise Plan of Street Alignment*	6	\$325.00
Special Sign Permit	4	\$ 75.00
General Plan Amendment & Requiring Zone Change*	16	\$525.00

*Requires City Council approval also: Add approximately 3 weeks.

Source: Huntington Beach Department of Development Services

(1) These fees are as of August 1979 and include a 20 percent increase following Proposition 13. All fees are subject to change by ordinance of the Huntington Beach City Council.



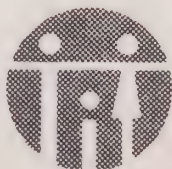
TABLE 4-3

COMPARISON OF DEVELOPMENT PROCESSING TIME IN MONTHS

	<u>H.B.</u>	<u>Irvine</u>	<u>Newport</u>	<u>Costa Mesa</u>	<u>Orange County</u>	<u>Riverside (County)</u>	<u>Riverside (City)</u>
General Plan Amendment	1.5	3 - 24 (15 Avg.)	6	4	4 - 12	4 - 12	4
Zone Change	1.75	3 - 4	2	4	5 - 8	7 - 9	4 - 6
EIR's	2	4 - 6	(1)	4	3 - 4	3 - 5	3 - 4
Tentative Tracts	1	3	3	1	3 - 4	6	1 - 2
Site Plan Review (Staff)	1	1 - 2	(2)	1	3	1	2 - 3
Site Plan Review (Comm.)	1.5	1 - 2	(2)	2	4	(3)	(2)
Plan Checking/ Building Permits	1	1 - 2	1	1	1.5	1.5	1.5

Source: City of Irvine draft Housing Element and Huntington Beach Department of Development Services

- (1) No specific time; varies by project
- (2) Commission reviews only on request
- (3) All site plan reviews performed at staff level



The City's permit processing procedures include assessment of the environmental impact of proposed projects, and review of the environmental impact report, if one is required. This portion of the processing procedure is mandated by State law under the California Environmental Quality Act.

About 12 percent of the remaining vacant residential land within the city's boundaries lies within the coastal zone. Projects proposed within this zone must, in addition to City approval, obtain the permission of the Regional Coastal Commission. This procedure will be expedited after the approval of the Local Coastal Plan, when the City will assume the approval process (expected by April 1980.)

4.2.5 Fees

Fees are collected by the City to help cover the costs of permit processing, inspections, environmental impact determinations, and to contribute to the delivery of services such as water, sewers, storm drains, libraries, and parks and recreational facilities. These fees are assessed on the basis of square feet of building space, number of dwelling units, or acres of development. As land use densities increase, the proportion of the cost borne by each unit decreases for those fees which are charged on a per acre basis.

Costs per dwelling unit for fees in Huntington Beach averaged \$1,745 as of July 1, 1979. At medium and high density zoning, between 44 and 62 percent of this cost consists of fees (or property dedications) for parks and recreation purposes, or an average of \$832 per unit. A detailed analysis of City fees appears in Table 4-4. Table 4-5 compares the City's fees with other Southern California jurisdictions.

4.2.6 Taxes and Insurance

The current estimate of the share of the cost of owning or renting attributed to taxes and insurance is 10 percent post-Proposition 13.⁽¹⁾ This burden falls more heavily on lower income households, whose expenditures for housing require a larger proportion of their household income. Since property taxes on homes which are sold will be based on their purchase price rather than the formula mandated by Proposition 13, new home buyers face higher taxes than those who remain in their current residences. Renters too are vulnerable since they are unable to control the sale of the property in which they live, yet the rent they pay may be raised to cover the new landlord's higher taxes.

One effect of Proposition 13, therefore, will be to deter the mobility of owners. Proposition 13 also reduced City revenues and those losses are being offset in part by increased or new fees on construction which increase the cost of private and rental units.

(1)Orange County General Plan Draft Housing Element, January 1979.



TABLE 4-4

PERMIT PROCESSING AND DEVELOPMENT FEES IN HUNTINGTON BEACH
(Average Per Unit For Selected Construction 1976-1978)

Per Unit Average Fee	Low Density			Medium Density				High Density		
	Single Family Detached Type 2	Condo- minium Type 3	Mobile Home Type 4	Single Family Detached Type 5	Condo- minium Type 6	Apartment 2-4 Unit Type 7	Apartment 5+ Units Type 8	Condo- minium Type 9	Apartment 2-4 Units Type 10	Apartment 5+ Units Type 11
Parks & Recreation	\$903	\$812	\$610	\$1,171	\$976	\$785	\$454	\$878	\$772	\$870
Library	58	30	191	36	6	58	40	45	52	42
Sewer	378	65	60	60	60	60	59	60	60	60
Water	195	38	36	36	36	36	30	36	36	36
Drainage	475	151	1,160	566	161	151	260	N/A	385	200
Other	679	622	42	539	316	341	180	385	325	333
Per Unit Average Total	\$2,688	\$1,718	\$2,099	\$2,408	\$1,555	\$1,431	\$1,023	\$1,404	\$1,630	\$1,541
Number of Units Surveyed	286	137	145	112	473	90	110	45	39	96

Source: Huntington Beach Department of Development Services

TABLE 4-5

COMPARISON OF PLANNING AND PERMIT FEES

<u>City</u>	<u>Building Permit 1500 sq ft</u>	<u>Plan Check 1500 sq ft</u>	<u>Electrical Permit 1500 sq ft</u>	<u>Plumbing Permit 1500 sq ft</u>	<u>Grading/ Inspection</u>	<u>Sewer</u>	<u>Conditional Use Permit</u>	<u>Park In Lieu</u>	<u>Site Plan</u>	<u>Tent. Tract Map</u>	<u>Zone Change</u>
Anaheim	295.71	189.80	49.00	50.00	98.00	300.00	2.50	578.76	0	6.00	8.00
Buena Park	432.01	270.20	57.50	68.00	125.00	300.00	10.00	600.00	4.00	8.00	10.00
Costa Mesa	175.15	86.00	34.50	44.00	NA	250.00	0.50	1,205.00	0	2.50	12.00
Fountain Valley	172.05	84.50	25.25	34.00	90.00	300.00	2.00	1,000.00	2.00	5.00	6.50
Garden Grove	201.72	125.13	70.35	80.25	98.00	375.00	6.00	325.00	8.40	5.40	3.00
HUNTINGTON BEACH	195.60	97.80	33.30	40.80	98.00	310.00	4.00	1,171.00	1.50	3.00	6.50
Irvine	615.00	115.80	20.75	28.75	226.00	1,075.00	12.00	2,400.00	22.00	34.00	Included W/GPA
Newport Beach	250.50	162.83	39.00	37.50	215.50	282.00	5.50	3,050.00	4.20	8.00	7.80
Santa Ana	195.60	97.80	49.00	49.00	98.00	312.75	11.00	340.00	1.00	10.00	7.00
Westminster	207.00	102.50	28.50	34.00	104.00	250.00	3.00	785.00	1.50	2.50	3.00
Orange County	212.00	125.40	41.78	36.78	200.00	263.00	4.20	255.00	29.00	16.00	13.00

Fees are shown per dwelling unit although not all fees are collected on a per unit basis.

Source: California Building Industry Association, Orange County Chapter.

Much of Huntington Beach lies within the flood plain of the Santa Ana River and has been designated a special flood hazard area by the federal government. Under the National Flood Insurance Act of 1968, mortgage lenders are authorized to require that structures located in flood hazard areas be insured against potential flood damage. Flood insurance is available (and is required for homes in the special flood hazard area) at subsidized rates of \$88 per year for single family dwellings and slightly more for multi-family buildings under the current emergency phase of the program. Upon additional studies, varying insurance rates will be established throughout the city based on the actual risk of flood damage, which should reduce premiums for most areas of the city. The flood insurance requirement adds slightly to the price of affected homes in Huntington Beach, and may indirectly add to the cost for affected rental units.

4.3 Regional Relationships

The provision of adequate housing for all sectors of the community is an area-wide problem, closely tied to economic expansion and employment growth. Particularly in Southern California, where long commute trips to work are common, the location of market rate households tends to be dictated more by preference than by necessity. Long commuting distances increase traffic congestion and lower air quality. The rising cost and growing shortage of gasoline should provide incentives to reduce commuting travel in the future, putting greater pressure on the housing market in the older, more accessible cities.

4.3.1 Employment-Residence Balance

At present, 9,389 heads of households (15.8 percent) residing in the city are also employed here.

Total Orange County employment is expected to increase by 155,200 jobs by 1985. Using present proportions, 4.8 percent or 6,800 of these jobs would be in Huntington Beach. An estimate of jobs which would be provided by development of existing vacant industrial/commercial land is 6,721. Currently 53 percent of the jobs in the city provide salaries that are below 80 percent of the county median salary. However, many of these may be secondary income sources for households. Income distributions for the County in 1976 characterize 39.1 percent of all households as low income, and an additional 20.8 percent as moderate income. City proportions in 1979 are 23.1 percent low and 22.5 percent moderate income.

4.3.2 Regional Pressures on Local Housing Market

The southern portion of the county is where much recent growth has centered and where most new residential growth is expected to occur. There should also be a larger proportion of employment opportunities in these areas resulting from new commercial and industrial development. To the extent that sufficient low cost housing is not provided in these areas, demand will increase in established residential communities whose housing stock includes older, less expensive units. This demand will continue to increase the resale price of homes and rental value of apartments, as well as generate traffic and air quality problems.



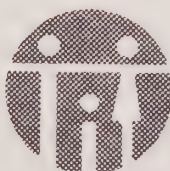
HUD estimates that at least 45 percent of all demand for future sales units will be in the moderate and low cost range. Almost all demand for rental units will be moderate and below, with about 68 percent for low cost rentals. The Irvine Company estimates that 20.7 percent of the people employed in the Irvine Industrial Complex-East will have household incomes in the low range and an additional 16.5 percent will have incomes in the moderate range⁽¹⁾. The shortfall of affordable units in the immediately adjacent cities - Costa Mesa, Newport, Irvine, Tustin, and Santa Ana will increase the demand placed upon Huntington Beach and other more distant communities.

4.3.3. Housing and Employment

The cost of existing single family dwellings in Orange County rose 24.6 percent during 1977-1978, while the median household income rose 4.8 percent from \$18,600 to \$19,500. Residential rents increased 8.5 percent from 1976 to 1977 in the Los Angeles-Orange County area. The disproportionate rise in housing costs as compared to incomes means that more households are being squeezed out of the housing market or forced to pay too large a share of their income for shelter.

There are indications that industry is beginning to consider the availability of affordable housing which affects its supply of labor, in making locational decisions. A lack of reasonable housing alternatives for workers could result in loss of employment opportunities with a concomitant drop in revenues and economic vitality for the community.

(1) City of Irvine, Draft Housing Element, March 1979, page 69.



5. Present Housing Programs

5.0 PRESENT HOUSING PROGRAMS

The City takes an active role in providing housing assistance through its Housing and Community Development programs. At present, 565 households receive or have received housing assistance. Another 470 households will be assisted by projects that are now underway, bringing the total number of households assisted to 1,030 (see Table 5-1). The City's present housing programs are described in the following sections and summarized in Section 5.4.

5.1 New Construction

- 5.1 Four projects are currently approved and under construction in Huntington Beach that will utilize HUD Section 8 Low Income Rental Assistance - New Construction funds. Under this program, owners or developers of projects are guaranteed long-term housing assistance payments to make up the difference between a unit's "fair market rent" (established by HUD) and the tenant's contribution toward the rent (at least 15 percent, but not more than 25 percent of income.) The projects using Section 8 subsidy are:

Wycliffe Gardens - A 14 story, 185 unit apartment for senior citizens being constructed near Main Street and Beach Boulevard. Individual units will rent for approximately \$332 per month and are all eligible for federal subsidy. Additionally, the City has contributed \$56,000 of CDBG funds to subsidize land costs for the Wycliffe project. The project is scheduled for completion in June, 1980.



TABLE 5-1
CURRENT ASSISTED HOUSING

<u>Program</u>	<u>Household Type</u>			
	<u>Elderly</u>	<u>Family</u>	<u>Mixed</u>	<u>Total</u>
Scheduled New Construction				
1980 Completion	185	105		290
1982 Completion	157			157
Existing	211	349		560
Completed Rehabilitation			5	5
Scheduled Rehabilitation			18	18
TOTAL	553	454	23	1,030

HOUSING MET BY CURRENT CITY PROGRAMS

<u>Household Type</u>	<u>SCAG Estimated Need</u>	<u>Assisted by Present Programs</u>		<u>Remaining Need</u>	
		<u>#</u>	<u>%*</u>	<u>#</u>	<u>%*</u>
Elderly	1,075	553	51.4	522	48.6
Handicapped	219	U	U	U	U
All Families	6,520	454	7.0	6,061	93.0
Large	2,284	149	6.5	2,135	93.5
Small	4,236	200	4.7	4,036	95.3
Minorities	1,772	U	U	U	U
Female Head	3,215	U	U	U	U
TOTAL	7,585+	1,007	13.3%	6,583	86.7%

U Unavailable
+ Total is not a sum due to double counting
* Percentage of SCAG Estimated Need

Source: SCAG Areawide Housing Opportunity Plan and Orange County Housing Authority



Old Civic Center Site - A mixed use development in the downtown area which will feature 157 studio, one, and two bedroom units for senior citizens. The City will also fund construction of a 10,000 square foot senior recreation and activity center and rehabilitation of an existing neighborhood library on the site (\$450,000 CDBG.) The housing project is being financed through the California Housing Finance Agency's Section 8 New Construction program which offers low interest mortgage financing. At least 49 percent of the units will be subsidized, and depending on the availability of additional rent subsidies, up to 100 percent of the project may be subsidized. The City has donated a portion of the 3.6 acre site to the developer under a nominal cost lease arrangement and has allocated \$100,000 in CDBG funds to assist with site clearance/preparation and for offsite utility improvements. This project is scheduled for completion in January, 1982.

As conditions of approval for two private residential condominium projects located at Beach Boulevard and Atlanta Avenue the California Coastal Commission has required the construction of low and moderate income apartments utilizing Section 8 New Construction subsidies. W and B Builders, Inc. will construct 75 assisted rental units in conjunction with a 295 unit condominium project, and Ayres Construction, Inc. will construct 30 assisted rental units in conjunction with 120 condominiums. Neither project involves financial participation by the City. Completion dates for these two projects have not been set.

5.2 Assistance to Existing Units

5.2.1 Section 8 Assistance to Existing Units

HUD's Section 8 program also provides rental assistance to households occupying existing units. Under the Existing Housing Program, assistance is provided directly to families through a public housing agency which makes payments to owners of rental units that qualify for the program. The City contracts with the Orange County Housing Authority to administer the Section 8 Rental Assistance Program, which has issued 644 rent certificates in the city to date. Recipients locate their own housing subject to the landlord's participation in the program and the rent limits set by HUD. The recipient pays 25 percent of his or her household income toward the rent and the program pays the remainder. Section 8 subsidies have limitations on the amount of rent the certificate holder can pay for housing; since rental housing is often priced above these limits, acceptance in the program does not guarantee that housing will be obtained. As of June 1, 1979 about 560 of the certificates issued were in use and 55 other certificate holders were seeking housing. Another 135 households have been deemed eligible for the program and are on a waiting list.

If recipients of Section 8 rental housing assistance certificates do not locate a housing unit that meets the program requirements within 60 to 120 days, their certificate becomes inactive. There are 416 inactive certificates for the city to date, indicating that households are often unable to locate suitable/affordable housing even when assistance is available to them. Of these inactive certificates, only 37 were elderly, but 379 were families.



5.2.2. Neighborhood Preservation/Rehabilitation Loans

The City has allocated \$850,000 in CDBG funds for a four year program to provide low interest rehabilitation loans to owners of residential properties. This program has been in effect for one year and work has been completed on five single family homes. Eighteen other requests are currently being processed.

5.2.3 Other Assisted Housing

Housing assistance is also provided to a number of households in Huntington Beach through HUD's Section 235 (Homeownership Assistance for Low and Moderate Income Families) and Section 236 (Rental and Cooperative Housing Assistance for Low Income Families) programs.

The 235 program provides mortgage insurance to purchasers of single family residences whose adjusted gross income is less than 95 percent of the area median income. After a 6 percent down payment, purchasers are required to spend at least 20 percent of their adjusted income toward monthly mortgage, insurance, and tax payments. This program also provides for subsidizing the mortgage interest rate to as low as 5 percent. A total of 751 condominiums were sold under the 235 program in 1964. It is not known how many original owners still occupy the units purchased with Section 235 assistance.

Section 236 provides payments to mortgage lenders for multi-family projects to reduce mortgage interest rates to as low as 1 percent in order to make inexpensive rental or cooperative units available to low income households. Rents are limited to 25 percent of tenants' adjusted income. HUD pays additional subsidies to cover the difference between rents collected and the actual operating costs of the project. The 236 program has been suspended and is currently unavailable; however, two apartment complexes of 198 and 40 units were previously constructed utilizing Section 236 assistance. Portions of these projects are occupied at subsidized rents, although the exact number of assisted households is not known.

5.3 Orange County Fair Housing Council

Huntington Beach is a member of the Orange County Fair Housing Council and will contribute \$10,000 in Community Development Block Grant funds for the next three years for its support. The basic programs of the Fair Housing Council include 1) housing discrimination response, 2) landlord-tenant counseling, 3) low income housing advocacy, 4) publication of the semi-yearly Forum newsletter, and 5) community awareness and education. In 1978, 1,018 individuals residing in Huntington Beach were assisted by the Fair Housing Council.



5.4 Needs Addressed by Present Programs

SCAG estimates the number of elderly and handicapped households currently needing assistance to be 1,075. When completed, the Wycliffe Gardens and old Civic Center projects will house 342 elderly households. There are 211 elderly households currently being assisted with Section 8 Existing subsidies; by 1980 a projected total of 553 elderly households will be assisted, about 51.4 percent of the estimated 1980 need.

Section 8 Existing subsidies are also assisting 349 families. (The actual number of certificates issued in the city, and their distribution to elderly and family applicants is determined by HUD based on the City's Housing Assistance Plan.) New construction will provide an additional 105 units to be completed in 1980. This will provide a total of 454 family units or 7 percent of present need for all families. Of the 349 families receiving Section 8 assistance, 149 are large families (5 or more persons) and 200 are small families (4 or less persons). Current family need is estimated by SCAG at 2,284 for large families and 4,236 for small families. By 1980 present programs will have met 6.5 percent of the large family need and 4.7 percent of small family need. Families, especially small families, appear to have the greatest need for housing assistance at this time. Table 5-1 indicates the number of units currently being assisted and the percentage these units constitute of the City's overall need.

5.5 Numerical Housing Goals

The SCAG-estimated low income housing need in Huntington Beach is 7,595 units plus a fair share allocation of 1,932 units for a total low income need of 9,527. The State Department of Housing and Community Development suggests local jurisdictions should realistically try to meet three percent of their housing need per year. Current programs should provide 290 units by 1980--185 for the elderly and 105 for families, plus an additional allocation of 23 Section 8 Existing rental units for a total of 318 units. There will be 157 units for the elderly completed by 1982. Discounting these units, an additional 954 units of low income housing should be provided by 1985 or 191 low income units per year.

Current moderate income housing need is estimated to be 1,392 units. An additional 1,021 moderate income families are expected to need housing in the city by 1985 as a result of projected employment growth, for a total of 2,413 moderate income households. By 1985, the City should provide 362 units of moderate income housing, or an average of 73 units per year. In addition, 31 units per year should be rehabilitated or a total of 154 units by 1985.



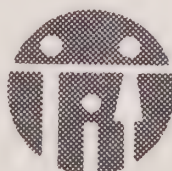
6. Goals, Policies, and Programs

6.0 GOALS, POLICIES, AND PROGRAMS

The City of Huntington Beach has adopted three goals for its housing program which are consistent with State and Regional housing policies. These goals are:

1. The attainment of decent housing within a satisfying living environment for households of all socioeconomic, racial, and ethnic groups in Huntington Beach.
2. The provision of a variety of housing opportunities by type, tenure, and cost for households of all sizes throughout the city.
3. The development of a balanced residential environment with access to employment opportunities, community facilities, and adequate services.

In order to progress toward the attainment of these goals, the City has committed itself to specific policies and programs. The policies are organized around five issue areas which are identified by the California Department of Housing and Community Development as important priorities in addressing local housing problems. This section presents a discussion of the problems inherent in each of the issue areas, followed by policies adopted by the City to resolve these problems. The programs intended to effect their solution then are discussed, including anticipated impacts, responsible agencies, financing, and the time frame for completion of each program.



6.1 ACCESSIBILITY

Providing housing opportunities for all households regardless of race, color, religion, sex, family size, marital status, national origin, ancestry, age or physical disability is an essential element of a sound housing program. In order to assure non-discrimination in housing, the City contracts with Orange County Fair Housing Council which investigates complaints of discrimination because of race, ethnicity, marital status, or sex. The Fair Housing Council also handles problems with evictions, rent increases, substandard housing conditions, and disputes regarding deposit returns, as well as arbitrating landlord-tenant conflicts.

An important aspect of discrimination in housing is the exclusion of families in Huntington Beach with children from the rental market. While this problem is not yet as large as in some localities, recognition and appropriate preventive steps should be encouraged. A constricted rental market tends to exclude families with children because landlords will prefer to rent to adults in order to minimize maintenance and management costs. A healthy balance between rental and ownership units may reduce this trend.

Another problem needing attention is that of handicapped and elderly persons whose access to decent housing may be prevented by architectural barriers. Policies and actions addressing these special needs have been included under accessibility because it is felt that the lack of assistance to these groups may constitute a subtle, if unintended, form of housing discrimination.

6.1.1 Policies

In order to assure accessibility to decent housing for all, the City of Huntington Beach shall:

- Promote fair housing practices throughout the city.
- Promote housing which meets the special needs of handicapped and elderly persons.
- Encourage the provision of adequate numbers of housing units to meet the needs of families of all sizes.
- Encourage the provision of sufficient rental units for families with children.

6.1.2 Programs

6.1.2.1 Action: Utilize the services of the Orange County Fair Housing Council .

Anticipated Impact: All complaints of discriminatory practices in housing within the city will receive attention. In addition, OCFHC will provide counseling in landlord-tenant disputes, special assistance for Hispanic and female-headed households (which includes escort services to locate adequate housing), bilingual



housing literature and video-tape presentations, day-care services, and housing assistance counseling.

Responsible Agencies: Huntington Beach HCD

Financing: The City will contribute to the Orange County Fair Housing Council. Annual contributions of \$10,000 in CDBG funds have tentatively been approved through 1982.

Schedule: 1979-1982

- 6.1.2.2 Action: Demolish existing buildings and provide new off-site improvements on the old Civic Center site (3.6 acres) in preparation for the construction of senior citizen housing.

Anticipated Impact: Aid in production of up to 157 subsidized units for senior citizen housing.

Responsible Agencies: Huntington Beach HCD

Financing: \$100,000+ in CDBG funds

Schedule: 1980-1981

- 6.1.2.3 Action: Conduct a city-wide survey of rental housing suitable for handicapped occupants.

Anticipated Impact: The identification of available rental housing for the handicapped.

Responsible Agencies: Huntington Beach HCD and the Dayle MacIntosh Center

Financing: \$60,000 in CDBG funds

Schedule: 1979-1980

- 6.1.2.4 Action: Maintain a directory of accessible housing for handicapped persons, and provide referral services.

Anticipated Impact: Assistance to handicapped persons in locating housing.

Responsible Agencies: Huntington Beach HCD and the Dayle MacIntosh Center

Financing: No cost to the City

Schedule: Ongoing



6.1.2.5 Action: Provide grants to owners of rental housing for modifications necessary to make units accessible to and suitable for the physically disabled.

Anticipated Impact: The provision of an increased number of rental units suitable for physically disabled persons.

Responsible Agencies: Huntington Beach HCD

Financing: \$20,000 in CDBG funds

Schedule: 1980-1981

6.1.2.6 Action: Fund rehabilitation loans to make housing accessible to handicapped persons within designated neighborhoods.

Anticipated Impact: An increased amount of locational choice for the physically disabled.

Responsible Agencies: Huntington Beach HCD

Financing: CDBG funds (see Section 6.4.2.3)

Schedule: Ongoing



6.2 ADEQUATE PROVISION

Adequate provision for the housing needs of all economic segments of the community is an issue of the highest priority in Huntington Beach. For reasons previously discussed, it appears unlikely that market forces alone will produce housing that is affordable to low and moderate income households. Since decent housing for all is important to the welfare of the entire city, it is particularly important to address this need through the use of those public powers which impact housing.

6.2.1 Policies

To ensure adequate provision of housing for all economic segments of the community, the City of Huntington Beach shall:

- Undertake economically feasible programs to provide for housing throughout the community to meet the needs of low and moderate income households.
- Provide the management and personnel resources necessary to carry out identified housing programs and responsibilities.
- Continue and expand utilization of Federal and State housing assistance programs.
- Encourage the participation and financial commitment of private entities in attaining housing goals.
- Encourage the provision and continued availability of a range of housing types throughout the community, with variety in the number of rooms and level of amenities.
- Promote the availability of sufficient rental housing stock to afford maximum choice of housing type for all economic segments of the community.
- Encourage the retention of existing numbers of mobile homes and investigate areas for potential new mobile home zoning.
- Encourage the provision of alternative housing through replacement housing and/or relocation for low or moderate income households displaced by public or private developments.

6.2.2 Programs

- 6.2.2.1 Action: Investigate the feasibility of utilizing inclusionary zoning (including a mechanism for offering density bonuses) to provide for construction and continued availability of low and moderate income housing.



Anticipated Impact: The production of affordable housing. The exact number of units would be dependent upon the provisions of the inclusionary zoning ordinance. The range of units produced could be between 525 and 1,380 (see Section 6.6.1).

Responsible Agencies: Department of Development Services and the Office of the City Attorney

Financing: Department budgets

Schedule: 1979-1980

- 6.2.2.2 Action: Investigate the feasibility of an amendment to the Municipal Code to permit waiver or reduction of development fees for projects participating in an affordable housing program.

Anticipated Impact: If feasible, such an amendment could be expected to decrease the cost of housing.

Responsible Agencies: Department of Development Services

Financing: Department budget

Schedule: 1980

- 6.2.2.3 Action: Provide consultation to aid private developers in expanding housing opportunities.

Anticipated Impact: Increased housing choice and more affordable housing.

Responsible Agencies: Department of Development Services and Huntington Beach HCD

Financing: Department budgets

Schedule: Ongoing

- 6.2.2.4 Action: Initiate an outreach campaign to solicit participation of private developers in affordable housing programs; maintain a roster of interested firms.

Anticipated Impact: The production of affordable housing.

Responsible Agencies: Huntington Beach HCD

Financing: HCD Budget

Schedule: Ongoing



- 6.2.2.5 Action: Continue to contract with the Orange County Housing Authority to administer the Section 8 Leased Housing Assistance Program.

Anticipated Impact: Maintenance and expansion of the current level of assisted housing participation in the city. Up to 23 additional units may be subsidized in 1979. Federal budget cuts in the Section 8 program make it appear unlikely that the program will expand greatly in the next few years. If funding continues at 1979 levels, an additional 100 units may be expected by 1985.

Responsible Agencies: Huntington Beach HCD and the Orange County Housing Authority.

Financing: Department budget

Schedule: Ongoing

- 6.2.2.6 Action: Expand the existing contract with the Orange County Housing Authority to include Section 8 Existing funds to subsidize mobile home space rentals when funds become available.

Anticipated Impact: A reduction in the number of households needing assistance in the city, depending on the level of Section 8 funds available.

Responsible Agencies: Huntington Beach HCD and the Orange County Housing Authority.

Financing: CDBG funds

Schedule: 1979-1980

- 6.2.2.7 Action: Assist developers in applying for funding for assisted housing through the Section 8 New Construction for Families and Large Families and other relevant programs.

Anticipated Impact: The production of family housing units to meet the Housing Assistance Plan goal of 192 small families and 117 large families (total 309 families in three years). Actual construction is dependent upon the availability of HUD funding.

Responsible Agencies: Huntington Beach HCD

Financing: CDBG funds

Schedule: 1979-1982



6.2.2.8 Action: Monitor subsidized mortgage program availability and where applicable utilize such programs to reduce housing payments. Mortgage programs include Section 235, CHFA and County mortgage backed revenue bonds.

Anticipated Impact: Reduction of the number of households needing assistance in the city whose incomes are between 80-120 percent of the county median.

Responsible Agencies: Huntington Beach HCD

Financing: CDBG funds, Orange County bonds

Schedule: Ongoing

6.2.2.9 Action: Assist developers in applying to FHA for a reservation of mortgage funds for new construction under the Section 235 program.

Anticipated Impact: The production of moderate cost housing.

Responsible Agencies: Huntington Beach HCD

Financing: Staff time and administrative costs will be paid from CDBG funds.

Schedule: 1980-1981

6.2.2.10 Action: Subsidize the cost of land and off-site improvements for the provision of rental units for low income families.

Anticipated Impact: The production of up to 260 units of affordable family housing within two years.

Responsible Agencies: Huntington Beach HCD

Financing: \$400,000 CDBG funds

Schedule: 1980-1982

6.2.2.11 Action: Contract with the Orange County Housing Authority to screen and verify incomes of potential participants in housing programs.

Anticipated Impact: Ensure that recipients of affordable housing are qualified for such housing.

Responsible Agencies: Huntington Beach HCD

Financing: To be developed Possible Sources: Developer fees, CDBG funds or other grants

Schedule: 1980-1981



6.3 STANDARDS AND PLANS FOR ADEQUATE SITES

A key element in satisfying the housing needs of all segments of the community is the provision of adequate sites for housing of all types, sizes, and prices. This is an important function of both zoning and General Plan land use designations. Since the city is already developed to a large extent, provision for future housing needs may require the rezoning of some areas where appropriate to meet housing needs and where economically feasible in terms of City facilities and services. An assessment of the adequacy of sites must include the collective capacity of sites community-wide as well as the suitability of individual sites for non-market rate housing.

6.3.1 Policies

To assure the adequate provision of sites for housing, the City of Huntington Beach shall:

- Locate residential uses in proximity to commercial and industrial areas and transportation routes to provide convenient access to employment centers.
- Plan for residential land uses which accommodate anticipated growth from new employment opportunities.
- Utilize the following criteria for identifying and evaluating potential sites for low and moderate cost housing. Sites should be:
 - located with convenient access to:
arterial highways and public transportation
schools, parks, and recreational facilities
shopping areas
employment opportunities
 - adequately served by public facilities, services, and utilities
 - minimally impacted by seismic and flood hazards. Where such hazards cannot be avoided, adequate mitigation measures shall be incorporated into the design of all proposed development.
 - minimally impacted by noise and blighted conditions
 - compatible with surrounding existing and planned land uses
 - located outside areas of predominantly lower income concentrations
- Ensure that any adverse impacts resulting from the provision of low and moderate income housing are minimized.

6.3.2 Programs



6.3.2.1 Action: Acquire sites to provide for future affordable housing, utilizing CDBG funds and other available resources.

Anticipated Impact: Increase the supply of affordable housing.

Responsible Agencies: Department of Development Services and Huntington Beach HCD

Financing: \$500,000 per year CDBG funds; other resources as available

Schedule: 1980-1981

6.3.2.2 Action: Review the proposed comprehensive revision of Division 9 of the City Municipal Code to ensure it reflects Housing Element policies and programs while maintaining adequate standards for development.

Anticipated Impact: Ensure consistency in carrying out the housing program while maintaining quality development.

Responsible Agencies: Department of Development Services

Financing: Department budget

Schedule: 1979-1980

6.3.2.3 Action: Develop zoning ordinances to implement the Mixed Development and Planned Community land use designations.

Anticipated Impact: Increased use of these designations will add flexibility to land utilization and increase the potential for a variety of housing types.

Responsible Agencies: Department of Development Services

Financing: Department budget

Schedule: 1981

6.3.2.4 Action: Monitor changes in industrial and commercial land uses to assess their impact on residential land use.

Anticipated Impact: This action is intended to reflect changing conditions in the city in order to adequately respond to current housing needs.

Responsible Agencies: Department of Development Services

Financing: Department budget

Schedule: Ongoing



6.3.2.5 Action: Investigate General Plan land use and zoning designations to determine where increased densities can be utilized to provide for rental units for households of lower and moderate incomes.

Anticipated Impact: Increase in the number of suitable sites for development of affordable housing.

Responsible Agencies: Department of Development Services

Financing: Department budget

Schedule: 1979-1980

6.3.2.6 Action: Develop a Community Facilities Element which provides for a capital improvement program.

Anticipated Impact: This project will provide direction for the orderly development and adequate provision of facilities and services to all areas of the community. This is especially important if densities in certain areas are increased to provide affordable housing.

Responsible Agencies: Department of Development Services and Department of Public Works

Financing: Department budgets

Schedule: 1979-1980

6.3.2.7 Action: Investigate the feasibility of utilizing vacated school and park sites and other publicly owned land for low and moderate cost housing.

Anticipated Impact: Increase in the availability of sites for low and moderate income housing, and provision of incentives to private developers to produce affordable housing.

Responsible Agencies: Department of Development Services and Department of Public Works

Financing: Department budgets

Schedule: 1979-1980

6.3.2.8 Action: Create and maintain an inventory of sites suitable for affordable housing.

Anticipated Impact: This action will facilitate the production of affordable housing.

Responsible Agencies: Huntington Beach HCD



Financing: CDBG funds

Schedule: 1980



6.4

PRESERVING HOUSING AND NEIGHBORHOODS

The State of California has made housing preservation and conservation a high statewide priority. While most of the city's housing stock is less than 20 years old and in good condition, a recent Community Analysis Study identified areas of deteriorated older units. Two neighborhoods in particular, the Downtown and the Oakview neighborhood, have been designated as targets for rehabilitation under the Community Development Block Grant Program. Efforts to interest area property owners in low interest or no interest loans have met with only marginal success. In many cases, owners of rental units appear to consider the present use an interim one until the property can be recycled. A public information campaign is being conducted by the Huntington Beach Housing and Community Development Department to disseminate information to owners and encourage the use of available funds for rehabilitation.

6.4.1 Policies

In order to preserve housing and neighborhoods, the City of Huntington Beach shall:

- Encourage the maintenance and repair of existing owner-occupied and rental housing to prevent deterioration of housing in the city.
- Encourage the rehabilitation of substandard and deteriorating housing where feasible.
- Where possible, take action to promote the removal and replacement of those substandard units which cannot be rehabilitated.
- Provide and maintain an adequate level of community facilities and municipal services in all community areas.
- Improve and upgrade community facilities and services where necessary.

6.4.2 Programs

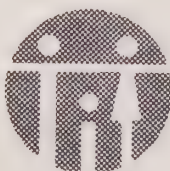
6.4.2.1 Action: Review all changes in planned land uses to determine the cumulative impact on community facilities.

Anticipated Impact: The assurance of adequate levels of community facilities and services to all areas of the city.

Responsible Agencies: Department of Development Services and Department of Public Works

Financing: Department budgets

Schedule: Ongoing



6.4.2.2 Action: Provide individual rebates of up to \$250 per assisted household for the "Cherish" program. (Operated by the Kiwanis Club, this program utilizes high school volunteers to perform minor home repairs and improvement chores for low income senior citizens.)

Anticipated Impact: Upgrading of neighborhoods where elderly residents have problems maintaining their premises. Program goals are 20-25 units per year.

Responsible Agencies: Huntington Beach HCD

Financing: CDBG funds (a component of action 6.4.2.3)

Schedule: Ongoing

6.4.2.3 Action: Continue to publicize and make available low interest rehabilitation loans for owner-occupied and rental housing.

Anticipated Impact: Rehabilitation of deteriorated housing in the city and reduction in the numbers of units requiring rehabilitation. The program goal is 25 units per year with a maximum loan of \$15,000 per unit.

Responsible Agencies: Huntington Beach HCD

Financing: \$850,000 in CDBG funds

Schedule: 1978-1982

6.4.2.4 Action: Investigate the feasibility of instituting a program of grants to low income owner-occupant households for rehabilitation, particularly repainting and repairs.

Anticipated Impact: Rehabilitation and improvement in areas where deterioration is not severe; prevention of further deterioration of neighborhoods which are marginal. The program goal is 20 units per year (including households assisted under 6.4.2.2).

Responsible Agencies: Huntington Beach HCD

Financing: Grants of up to \$2,500 will be made from CDBG funds (a component of action 6.4.2.3)

Schedule: Ongoing

6.4.2.5 Action: Monitor housing conditions in neighborhoods considered marginal or at risk for deteriorated conditions in order to identify the need to expand existing rehabilitation programs.

Anticipated Impact: The prevention of deterioration in marginal neighborhoods.



Responsible Agencies: Huntington Beach HCD

Financing: CDBG funds

Schedule: Ongoing



6.5 PRESERVING AFFORDABILITY

An important aspect of making housing available to all economic segments of the community is ensuring that assisted housing remains affordable to the income groups for which it was intended or which presently occupy it. In the rental housing market, the priority of preserving affordability may conflict with that of preserving housing and neighborhoods, since rehabilitated units can command higher rents. This conflict necessitates a delicate balance.

6.5.1 Policies

In order to preserve affordability, the City of Huntington Beach shall:

- Promote and where possible require the continued affordability of all units produced with participation by the City or its authorized agents (including inclusionary zoning).
- Encourage the continued affordability of those units utilizing public funds for rehabilitation.
- Discourage the conversion of existing apartment units to condominiums where such conversion will diminish the supply of low and moderate income housing.

6.5.2 Programs

6.5.2.1 Action: Establish a program for continued affordability of low and moderate cost units developed under the housing program.

Anticipated Impact: The retention of affordable units produced under the housing program.

Responsible Agencies: Department of Development Services and the Office of the City Attorney

Financing: Department budgets

Schedule: 1979-1980

6.5.2.2 Action: Investigate the effect of condominium conversions on the housing market and prepare a condominium conversion ordinance.

Anticipated Impact: Prevention of the potential loss of affordable rental units.

Responsible Agencies: Department of Development Services and the Office of the City Attorney

Financing: Department budgets

Schedule: 1980



6.6 SUMMARY OF ANTICIPATED IMPACTS

Confronted with the need to provide large numbers of affordable housing units and limited or declining budget prospects in the near future, the City can satisfy its housing needs only through an active partnership with the private sector. The preceeding actions have been designed to foster cooperation between the City and private enterprise. An assessment of the impact of these actions on housing need follows.

6.6.1 Assisted Housing

If the proposed actions are carried out as planned, 569 units of assisted housing for low income families will be provided by 1985. This represents 60 percent of the Housing Program's 1985 goal, leaving 40 percent, or 385 units, to be developed by other means. One mechanism being considered which would provide these additional units is inclusionary zoning and density bonuses (See footnote to Section 4.2.1).

The following table estimates the numbers of units which could result from such a program. In order to make these estimates, the vacant medium and high density residential acreage which is expected to be developed by 1985 was used as a computational base. In reality, many of the smaller parcels currently vacant may not be large enough to be subject to an inclusionary zoning ordinance. The City plans to study the feasibility of inclusionary zoning and the number of units which would result from adoption of an inclusionary ordinance. Therefore, the following figures should be taken only as a rough guide to the maximum medium and high density units the General Plan would allow if inclusionary zoning were adopted; the actual numbers may be considerably smaller. It should also be noted that the number of acres estimated to be developed by 1985 have not been assessed in detail. A more refined estimate will be developed with the feasibility study.

	<u>Medium Density (300 acres)</u>	<u>High Density (30 acres)</u>	<u>Total Units</u>
10% inclusionary	450	75	525
+5 units/acre density bonus	600	90	690
15% inclusionary	675	113	788
+5 units/acre density bonus	900	135	1,035
20% inclusionary	900	150	1,050
+5 units/acre density bonus	1,200	180	1,380

The net result of an inclusionary zoning ordinance could be the production sufficient low and moderate cost housing to fulfill the City's Housing Program goals by 1985. The exact numbers of units produced would depend upon the details of the enacted ordinance and the rate of development of vacant residential land.



6.6.2 Rehabilitation

Under the proposed programs 45 units would be rehabilitated yearly through 1982. If federal funding permits these programs to continue, the City will be able to more than fulfill its rehabilitation goals through 1985.



Appendix A

APPENDIX A

DEFINITIONS

Adequate housing: Housing which

- 1) is structurally sound, water-tight and weather-tight, with adequate cooking and plumbing facilities, heat, light, and ventilation.
- 2) contains enough rooms to provide reasonable privacy for its occupants.
- 3) is within the economic means of the households who occupy it.

Affordability: The relationship between household income and housing costs. A housing unit is considered affordable if the cost to occupy it does not exceed 25 percent of the gross income of the household that occupies it.

Amenity: Any service or facility which extends beyond the definition of adequate housing.

Council of Governments: An organization created to undertake regional planning and whose membership is composed of elected officials of local governments in the planning area; an organization recognized as an areawide planning organization by the Federal Department of Housing and Urban Development.

Department of Housing and Community Development (HCD): The department of the California State Government which is responsible for preparation of the statewide housing element and housing element guidelines, review of local housing elements, and technical assistance to local jurisdictions.

Elderly: Persons 62 years of age or older.

Fair Share Adjustment: A city's additional housing responsibility for regional housing market needs as developed by the regional council of government. It is based on the city's proximity to jobs, its ability to provide public services and facilities, the relationship of the local income distribution to regional income distribution, and expected community growth.

General housing market or market area: A regional geographical unit characterized by an economic and social interdependence with respect to the provision of housing and employment opportunities.

Handicapped: Persons determined to have a physical impairment or mental disorder which is expected to be of long-continued or indefinite duration and is of such a nature that the person's ability to live independently could be improved by more suitable housing conditions.

Household: All persons occupying a single dwelling unit.

Housing Unit: The place of permanent usual abode of a person, including a single-family dwelling, a single unit in a two-family dwelling, multi-family or multi-purpose dwelling, a unit of a condominium or cooperative housing project, a nonhousekeeping unit, a mobile-home, or any other residential unit which is considered to be real property under State law.

Income: Salary and/or wages, interest from assets, tips, pensions, assistance grants.

Income ranges: Those categories established for the purposes of defining households of low, moderate, and upper earnings. The listing below shows income categories and their corresponding dollar ranges based on the most recent Orange County median income for a family of four (1978: \$19,500).

<u>Category</u>	<u>Definition</u>	<u>Current dollar range</u>
Low	0-80% of OC median	\$ 0 - 15,600
Moderate	80-120% of OC median	\$15,600 - 23,400
Upper	Over 120% of OC median	\$23,400 and over

Large family: A family of 5 or more persons

Locality: Any county, city and county, or city including charter cities.

Market-rate household: A household which, as determined by the allocating entity, has the financial capability to meet its housing needs without sacrificing other essential needs.

Needing rehabilitation: A housing unit which in its present state materially endangers the health, safety, or well-being of its occupants in one or more respects, and which is economically feasible to repair.

Needing replacement: A housing unit which in its present state materially endangers the health, safety, or well-being of its occupants in one or more respects, and which is not economically feasible to repair.

Non-market-rate household: A household which does not have the financial capability to meet its housing needs without sacrificing other essential needs.

Overcrowding: Households which have 1.01 or more persons per room.

Southern California Association of Governments (SCAG): The council of governments established by local governments in Los Angeles, Orange, Ventura, San Bernardino, Riverside and Imperial Counties to facilitate regional planning for the area.

Standard Metropolitan Statistical Area (SMSA) An entity consisting of a central city (or cities) and economically dependent suburban cities including the counties in which they are located, as determined by the U.S. Office of Management and Budget.

Suitability/habitability: The condition of a housing unit; households living in units requiring rehabilitation or replacement are considered to have needs with respect to suitability and/or habitability.

Very low-income household: A household whose income, with adjustments for household size, does not exceed 50 percent of the median household income of the county.

Appendix B

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WITH THE SECRETARY OF STATE
(Pursuant to Government Code Section 11330.1)

Copy below is hereby certified to be a true
and correct copy of regulations adopted, or
amended, or an order of repeal by:

DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

(Agency)

Date of adoption, amendment, or repeal:

November 17, 1977

By:

A. C. Sternberg

Director

(Title)

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Pursuant to the authority vested by Section 41134 of the Health and Safety Code, and Section 65302(c) of the Government Code, and to implement, interpret, and make specific Section 65302 of the Government Code, the Department of Housing and Community Development adopts regulations in Title 25, California Administrative Code, as follows:

Subchapter 4 is added to Chapter 6 to read:

Subchapter 4. HOUSING ELEMENT GUIDELINES

Article 1. General

6400. Authority. The regulations contained herein are prescribed by the Department of Housing and Community Development, pursuant to authority granted in Health and Safety Code Section 41134 and Government Code Section 65302(c), and are to be followed in the preparation of local housing elements required by Government Code Section 65302(c). These regulations are binding on all counties, cities and counties, and cities including charter cities.

6402. Short Title. These regulations may be cited as the "State Housing Element Guidelines" (hereinafter "Guidelines").

6404. State Policy. The Legislature has found the subject of housing to be of vital statewide importance and has declared the early attainment of a decent home and a satisfying environment for every Californian to be a priority of the highest order.

The early attainment of this state housing goal requires the cooperative participation of the private and public sectors of the economy in efforts to expand housing opportunities to accommodate the needs of all Californians for housing which:

- (a) Is structurally sound, water-tight and weather-tight, with adequate cooking and plumbing facilities, heat, light, and ventilation.
- (b) Contains enough rooms to provide reasonable privacy for its occupants.
- (c) Is within the economic means of the households who occupy it.
- (d) Is not unavailable because of discriminatory practices.
- (e) Is situated in an environment which does not endanger the health, safety, or well-being of its occupants, and which provides convenient access to employment as well as adequate services and facilities.

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The requirement that housing elements be included as mandatory components of local general plans reflects a legislative recognition that local planning and program commitment play an integral role in pursuit of this goal. To assure that local planning effectively implements statewide policy, the Legislature, in Government Code Section 65302(c), has established general standards to be followed in the preparation of mandatory housing elements:

(a) A housing element is to consist of standards and plans for the improvement of housing and for provision of adequate sites for housing.

(b) In addition, this element of the general plan shall make adequate provision for the housing needs of all economic segments of the community.

6406. Purpose. The purpose of these Guidelines is to make specific the general legislative mandate established by Section 65302(c) of the Government Code. As interpretative regulations, the Guidelines also establish the criteria against which local compliance with the general mandate of Section 65302 is to be measured. Local housing elements are to be developed pursuant to these regulations.

In addition, if barriers to effective housing delivery are to be reduced, it is desirable that all activities relative to the planning for and delivery of housing on the state, regional, and local levels be both cooperative and coordinated. These Guidelines are intended not only to provide localities with specific guidance and direction in complying with the mandate of Section 65302(c) but also to promote compatibility of efforts at the various levels of government.

6408. Scope. In requiring a local housing element, state law calls for a comprehensive problem-solving strategy responsive to the housing needs of the entire community. If needs are to be adequately addressed, it is essential that the scope of the local housing problem be documented and analyzed. While documentation of the scope of the housing problem is essential, the heart of the housing element lies in those provisions relating to the development and implementation of a housing program. If a housing element is to make adequate provision for the housing needs of all economic segments of the community, it must contain assurances that the problems it documents and analyzes will be addressed on the practical level through the strategies and policies it develops. These Guidelines are intended to elicit such assurances.

6410. Definitions. As used in these Guidelines, each of the following terms shall have the meaning indicated:

(a) "Allocating entity" means a public entity operating pursuant to Section 6424 of these Guidelines.

(b) "Council of Governments" means an organization created pursuant to a joint exercise of powers agreement to undertake planning and whose membership is composed solely of elected officials of units of local government within the planning jurisdiction or their representatives and which is recognized as an areawide planning agency by the Department of Housing and Urban Development.

(c) "Department" means the Department of Housing and Community Development.

(d) "Director" means the Director of the Department of Housing and Community Development.

(e) "Elderly" means persons 62 years of age or older.

(f) "General housing market area" or "market area" means a regional geographical unit, established by the allocating entity, within which local interaction has resulted in an economic and social interdependence with respect to the provision of housing, employment and service opportunities.

(g) "Handicapped" means persons determined to have a physical impairment or mental disorder which is expected to be of long-continued or indefinite

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duration and is of such a nature that the person's ability to live independently could be improved by more suitable housing conditions.

(h) "Household" means all persons occupying a single dwelling unit.

(i) "Housing unit" or "unit" means the place of permanent or customary and usual abode of a person, including a single-family dwelling, a single unit in a two-family dwelling, multi-family or multi-purpose dwelling, a unit of a condominium or cooperative housing project, a nonhousekeeping unit, a mobile-home, or any other residential unit which either is considered to be real property under State law or cannot be moved without substantial damage or unreasonable cost.

(j) "Large family" means a family of 5 or more persons.

(k) "Locality" means any county, city and county, or city including charter cities.

(l) "Lower-income household" means a household whose income with adjustments for household size, does not exceed 80% of the median household income of the standard metropolitan statistical area (SMSA) or, outside SMSAs, the county.

(m) "Market-rate households" means those households who, as determined by the allocating entity, have the financial capability to meet their housing needs without sacrificing other essential needs.

(n) "Needing rehabilitation" refers to a housing unit which in its present state materially endangers the health, safety or well-being of its occupants in one or more respects, and which is economically feasible to repair.

(o) "Needing replacement" refers to a dwelling unit which in its present state materially endangers the health, safety or well-being of its occupants in one or more respects, and which is not economically feasible to repair.

(p) "Nonmarket - rate households" means households who, as determined by the allocating entity, do not have the financial capability to meet their housing needs without sacrificing other essential needs.

(q) "Very low-income household" means a household whose income, with adjustments for household size, does not exceed 50% of the median household income of the standard metropolitan statistical area or, outside SMSAs, the county.

6412. Terminology. The following words are used throughout these Guidelines to indicate whether a particular provision is mandatory, advisory, or permissive:

(a) "Must" or "shall" identifies a mandatory provision which all localities are required to follow.

(b) "Should" identifies guidance provided by the Department based on policy considerations contained in state law. Localities are advised to follow that guidance in the absence of compelling, countervailing considerations, but are not required to do so.

(c) "May" identifies a permissive subject or part of the Guidelines which is left fully to the discretion of the localities.

6414. Purpose of Local Housing Elements. As the major local housing strategy document, the local housing element is intended to provide citizens and public officials with an understanding of the housing needs of the community, and to set forth an integrated set of policies and programs aimed at the attainment of defined goals. In so doing, the housing element will serve not only as a programmatic expression of a local commitment to act, but will also provide guidance and direction to local governmental decision-making in all matters relating to housing. In addition, the provision of decent housing in a

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satisfying environment, especially for lower income households, is a goal whose attainment depends upon the shared commitment of federal, state and local government. The local housing element is intended to promote closer coordination of local, state and federal housing policies and programs.

6416. Housing Element Content -- General. Local housing elements shall include the following:

(a) In accordance with the provisions of Article 3, an evaluation of the housing problem including an analysis of the capacity of the existing housing supply to provide all economic segments of the community with decent housing.

(b) In accordance with the provisions of Article 4, a housing program consisting of a comprehensive problem-solving strategy adopted by the local governing body which both establishes local housing goals, policies, and priorities aimed at alleviating unmet need and remedying the housing problem, and sets forth the course of action which the locality is undertaking and intends to undertake to effectuate these goals, policies, and priorities. Making adequate provision for the housing needs of all economic segments of the community requires each locality to plan affirmatively, through its housing element program, for a balanced housing supply suited to the needs of the community as defined in Section 6418 of these regulations.

6418. The Community To Be Served by the Local Housing Element. Because local housing policies and programs have market area as well as local impact, and because housing need is a function of the general housing market, it is not enough for a locality to measure its responsibilities to the community in terms of the housing needs of its resident population. In addition, each locality within a general housing market area shares with other localities the collective responsibility for making adequate provision for the housing needs of all economic segments of the market area population. Therefore, the housing element also must be responsive to the housing needs of a fair share of those households who do not live in the locality but whose housing opportunities are affected by the planning decisions of the locality.

For housing element purposes the community to be served by the local housing element includes a fair share of those market area households determined pursuant to Article 2 of these Guidelines, who would live within the local jurisdiction were a variety and choice of housing appropriate to their needs available.

Article 2. Fair Share Allocation Plans

6420. Fair Share Allocation. To assist localities in evaluating their fair share responsibilities and to provide for an equitable and reasonable distribution of responsibility for accommodating the locational needs of all economic strata of the market region, the Department of Housing and Community Development shall, for each general housing market area within the state, prepare or delegate preparation of, as provided in Section 6424 of these regulations, a fair share allocation plan.

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6422. Purpose of Fair Share Allocation Plans. The purpose of the fair share allocation plan is to provide localities with a general measure of local responsibility for addressing a fair share of the market area housing need. The fair share allocation will provide each locality with a presumptive identification of housing needs for which adequate provision must be made in the housing element.

6424. Allocating Entity. Each Council of Governments is delegated the preparation of a fair share allocation plan for the housing market or markets within its geographical jurisdiction; provided that, where preparation of a fair share allocation plan is delegated to a Council of Governments, initial allocations shall be completed no later than July 1, 1978. If the Council of Governments does not allocate market area housing needs among the localities within the general housing market area by July 1, 1978, the Department shall perform the housing needs allocation which had been delegated to the regional planning body.

Where general housing market areas are established by the Department outside the jurisdictional reach of a Council of Governments, the Department shall provide the localities within the general housing market area with an opportunity to formulate an allocation plan for the area. The localities shall have a period of one year after notification by the Department that they constitute a general housing market area, within which to establish a fair share allocation plan. The Department shall upon request provide the localities with technical assistance in preparing their plan. If within one year of the date of notification a plan has not been prepared, the Department may at its discretion prepare a plan for the general housing market area.

6426. Focus of Fair Share Allocation Plans. In allocating fair share responsibilities, the allocating entity should focus on non-market rate households. In most circumstances the private market mechanism will adequately provide for the housing needs of market rate households. At the discretion of the allocating entity, however, the allocation plan may also incorporate such market rate households.

6428. Content of Fair Share Allocation Plans. Each fair share allocation plan shall:

- (a) Identify the general housing market area to which it applies.
- (b) Estimate by tenure and rent/sales price the immediate and projected regional housing need of nonmarket-rate households. Such need estimates should include the following categories:

- (1) Household size

- (2) Elderly

- (3) Such other special needs as are deemed appropriate by the allocating entity.

The estimate of projected need should extend over at least a three year period following the effective date of the plan.

- (c) Assign to each locality a fair share of the need estimated in (b) of this section.

6430. Distribution Criteria. In allocating to each locality a fair share of the responsibility for addressing nonmarket-rate housing need, each allocating entity shall establish its own distribution criteria.

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The distribution criteria developed by the allocating entity must be consistent with the policy objectives outlined in Section 6450(a) and must seek:

(a) To expand the range of locational choice within the market area for nonmarket-rate households.

(b) To improve access to employment, services, and other opportunities for nonmarket-rate households.

6432. Efforts to Accommodate Housing Need in Excess of Fair Share Allocations. The fair share allocations called for by these Guidelines are not intended to discourage or prevent any locality from seeking and encouraging the development of assisted housing in excess of that necessary to meet its fair share of the market area housing needs. Local commitment measured in terms of the supporting programs a locality is willing to bring to bear on its housing problems is a factor which should not be ignored in distributing government subsidies. While a state or federal agency may wish to give priority to applications for housing subsidies from those localities who have not yet satisfied their fair share responsibilities, the fact that a locality wishes to take responsibility for accommodating housing need in excess of its fair share should not be a basis for denying a locality's application.

6434. Public Comments on Fair Share Allocation Plans. The allocating entity shall, prior to the effective date of the allocation plan, afford reasonable opportunity for full review, comment, and input by both the affected localities and the public on the determinations of nonmarket-rate housing needs for the general housing market area or areas, the distribution criteria developed pursuant to Section 6430, and the proposed fair share allocations made pursuant to Article 2 of these Guidelines.

6436. Challenging a Fair Share Allocation. The allocating entity shall establish a procedure by which a locality may challenge its fair share allocation as inequitable or unreasonable. Where such a challenge does not result in a mutually acceptable allocation, the locality may, in its housing element indicate its belief that the allocation exceeds its fair share responsibilities. Where a locality proposes to substitute its own fair share figures for a challenged allocation, however, it assumes the burden of establishing in its housing element factors or circumstances which indicate that the assigned allocation is unreasonable or inequitable as applied to the local jurisdiction and of justifying the fair share figures it proposes to substitute for the challenged allocations.

Article 3. The Housing Problem

6438. Ascertaining Housing Needs. The fundamental measure of success of a local housing element is its effectiveness in addressing housing needs. If a housing element is to make adequate provision for the housing needs of all economic segments of the community, the dimensions and character of need must first be ascertained. Housing needs exist to the extent that

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the existing housing supply falls short of providing all economic segments of the community with decent housing. In assessing the dimensions and character of need for which adequate provision must be made in a local housing element, a locality must consider the housing needs of households residing within its geographical jurisdiction and the prospective need for market-rate housing along with its fair share allocation of the nonmarket-rate housing need within the general housing market area of which it is part. In evaluating housing needs local housing elements shall include estimates of:

(a) Prospective need for market-rate housing over a five year period -- such estimate to take into account:

- (1) Expected new household formation.
- (2) Adjustments in the housing preferences of resident households.
- (3) Anticipated population growth.
- (4) Expected growth in employment opportunities.
- (5) Such other factors as the locality deems appropriate. Where the locality accepts a fair share allocation covering market rate as well as nonmarket-rate housing need, independent local evaluation of prospective market-rate housing need is optional.

(b) Immediate housing needs analyzed in terms of:

- (1) Affordability -- the number of very low and lower income households occupying units at a cost greater than 25% of gross household income.
- (2) Overcrowding -- the number of housing units with 1.01 or more persons per room.
- (3) Suitability/habitability -- the number of households living in housing needing rehabilitation or replacement.
- (4) Special needs -- attention to the special needs of large families, minority households, the elderly, the handicapped, and persons displaced as a result of public activities, and others as the locality deems appropriate.

6440. Methodology. The locality's assessment of housing need called for by Section 6438, is based on analysis of the relationship between the existing housing stock and the economic and demographic characteristics of the community. In evaluating the existing housing stock and the socio-economic character of the community, the locality may use any methodology which assures reasonably accurate and reliable estimates of need. The methodologies upon which the housing element relies in evaluating need must be identified, either in the housing element itself or in an appendix accompanying the element.

6442. Data Collection. The primary source of data is the United States Census. Beginning in 1980, U.S. Census data will be collected every 5 years. As the more accurate and timely census information becomes available, it should be incorporated into the data base. Prior to the availability of 1980 census data, localities should use the best readily available data.

6444. Market Constraints. If the housing element is to have an impact on the private market through the standards and plans it sets forth, it should first analyze the market constraints which affect the production of housing. Included in this analysis should be an assessment of the cost factors which contribute to sale price or monthly rentals and an evaluation of the types of housing (single-family, multi-family, mobile-homes, etc.) which can be provided at different price levels within the existing constraints of the market.

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6446. Governmental Constraints. The housing element should also analyze those public actions which constrain the maintenance, improvement or development of housing. This analysis should include:

- (a) Local land use controls.
- (b) Local building codes and their enforcement.
- (c) On site and off site improvements required of developers.
- (d) Local processing of zoning changes, use permits, building permits, environmental clearance, and any other types of permits, approvals or clearances required by the locality prior to construction or rehabilitation of a housing development.
- (e) Fees required by the locality prior to construction or rehabilitation of a housing development.
- (f) Other public actions as deemed appropriate.

6448. Regional Relationships. While a locality's fair share allocation is based on an evaluation of local interrelationships, localities may find it helpful for program development purposes to include in their housing elements an analysis of the regional context within which the locality operates. This analysis of regional relationships could, for example:

- (a) Compare and contrast the local housing, income, population, and employment trends with those of neighboring jurisdictions, the general housing market area, and of the region.
- (b) Assess the impact of regional pressures on the local housing problem, and of local pressures on the housing problems of neighboring jurisdictions, the general housing market area, and of the region.

Article 4. The Housing Program

6450. The Housing Program. Once needs have been identified and the housing problem analyzed, a locality must, through its housing element, move toward the alleviation of identified need and the remedying of the housing problem. For this purpose, housing elements shall include a housing program consisting of:

- (a) A statement of the goals, policies, and priorities, which together provide the framework around which the local housing plans are developed and implemented. In adopting local goals, policies and priorities, the locality expresses a commitment to act in accordance with the standards they provide.

As indicated in Section 6404 of these Guidelines, the Legislature has established the provision of a decent home and a satisfying environment for every Californian as the state housing goal and has declared attainment of this goal to be a priority of the highest order. In support of the state goal of decent housing for all, the Department has established the following three policy objectives:

- (1) The provision of decent housing in a satisfying environment for all persons regardless of age, race, sex, marital status, ethnic background, source of income or other arbitrary factors.
- (2) The provision of housing selection by location, type, price, and tenure.
- (3) The development of a balanced residential environment with access to employment opportunities, community facilities, and adequate services.

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Local housing goals, policies, and priorities must be related to the state housing goal as set forth in Section 6404 of these Guidelines and consistent with the three policy objectives set forth above. Local housing goals, policies, and priorities should be well integrated so as to present a sound set of guiding principles for the housing program.

(b) A description of those plans which the locality is in the process of implementing or intends to implement in furthering the goals, policies, and priorities it has established. Each plan description shall:

(1) Identify the specific objective to be accomplished. Where possible, specific objectives should indicate in quantitative terms the anticipated impact of the program with respect to diminution in housing need.

(2) Specifically describe the actions which are being or will be undertaken as part of the plan strategy.

(3) Discuss how the plan will be or is being financed.

(4) Identify the public agency which has the principal responsibility for implementing the plan.

(5) Establish a reasonable time frame for accomplishment of the specific objective, which allows for the assessment of progress.

(c) If a particular strategy is still in the developmental rather than implementation stage at the time the housing element comes up for adoption, the housing element should clearly set out:

(1) The particular aspects of the housing problem to be or being studied,

(2) The policy the study is intended to implement,

(3) The group responsible for its study,

(4) A time frame for completion of the study.

6452. Preserving Housing and Neighborhoods. The housing program of a local housing element shall describe the steps being taken to preserve existing housing and neighborhoods through such measures as rehabilitation, code adoption and enforcement, improvements in housing management and maintenance, and the provision of adequate municipal facilities and services, recognizing that housing preservation and conservation are high statewide priorities.

6454. Preserving Affordability. In areas where actions are aimed at conserving or expanding the supply of sound housing, the effect of such actions on housing affordability should also be evaluated. For example, the plan description should consider the effect of rehabilitation programs, including anti-redlining activities, and conservation programs, such as code enforcement, on rents and property taxes in the affected areas.

The housing program shall emphasize the importance of preserving affordability at the same time condition is being improved or maintained.

6456. Standards and Plans for Adequate Sites. The physical capacity of a local jurisdiction to address need is in part a function of the availability of adequate sites. Each locality must include in its housing element standards and plans for provision of adequate sites for housing.

Sites are adequate only to the extent they provide suitable locations which can collectively accommodate a range of housing (type, size, and price) responsive to the needs of all economic segments of the community.

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(a) Suitability of individual sites -- housing elements should include standards to be used in evaluating the suitability of individual sites for nonmarket-rate housing.

(b) Collective capacity of sites to accommodate an appropriate range of housing -- in developing standards and plans for the provision of adequate sites, local housing elements shall focus on assuring that both local land use controls and the local infrastructure of services and facilities are compatible with the provision of a range of housing opportunity and choice suitable to the needs of all economic segments of the community.

6458. Accessibility. The locality should, through its housing program, seek to reduce the effects of discrimination in housing based on race, color, religion, sex, family size, marital status, national origin, ancestry or other arbitrary factors and to provide safeguards against future discrimination in housing.

6460. Adequate Provision. Adequate provision for the housing needs of all economic segments of the community requires each locality, through its housing element, to make a good faith, diligent effort to provide opportunities for and to facilitate the maintenance, improvement and development of an appropriate variety and choice of housing for all economic segments of the community, consistent with its identified need and fair share responsibilities. A locality is not required to undertake programs which are economically infeasible in order to make a good faith, diligent effort. Such effort, however, must emphasize the use of those public powers which impact on housing, including, but not limited to land use controls, development controls, and regulatory concessions and incentives. Such effort must also include a commitment to pursue and cooperate in available federal and state housing programs or indicate the manner in which the locality intends to address its housing needs without such assistance. In fulfilling its responsibilities under Government Code Section 65302(c), a locality also may, but is not required to, expend local revenues to provide rental subsidies, to finance the acquisition of land for the construction of housing, or to finance the actual construction of housing, except as otherwise provided by law.

Article 5. Comprehensive Planning

6462. Environmental Review. The State EIR Guidelines (Title 14, Division 6 of the California Administrative Code) indicate in Section 15037 that local housing elements are projects subject to the provisions of the California Environmental Quality Act (Public Resources Code Section 21000 et seq.) Therefore, an initial study and a negative declaration or environmental impact report must be prepared and filed with appropriate agencies prior to the adoption or amendment of a local housing element. Detailed procedures and requirements for such environmental review are specified in the State EIR Guidelines.

6464. Relationship to Other General Plan Elements - Internal Consistency Required. Internal consistency among general plan elements is required. Section 65300.5 of the Government Code states that the general plan shall comprise an integrated, internally consistent set of policies. This applies not only to the mandated elements but to the optional elements as well. (The mandated elements are land use, housing, circulation, noise,

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conservation, open space, seismic safety, scenic highways, and safety. Optional elements include community design, redevelopment, and historic preservation.) Where a locality undertakes revision of any element of its general plan, it should also examine the other elements (especially those elements most directly related) to assure internal consistency.

6466. Housing Assistance Plan. To apply for and receive federal community development block grant funds under the 1974 Housing and Community Development Act, P. L. 93-383, a locality must submit a Housing Assistance Plan that:

- "(A) accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower-income persons (including elderly and handicapped persons, large families, and persons displaced or to be displaced) residing in or expected to reside in the community.
- (B) specifies a realistic annual goal for the number of dwelling units or persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, and (ii) the sizes and types of housing projects and assistance best suited to the needs of lower-income persons in the community, and
- (C) indicates the general locations of proposed housing for lower-income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible; (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons; and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects."
- Section 104(a)(4).

These Guidelines are structured so as to encourage an integrated housing planning process which will provide much of the information necessary to comply with federal law relating to community development block grant funding. In particular, the housing problem analysis required by these Guidelines provides localities with a base from which to prepare their Housing Assistance Plans and can be used in the following ways:

- (a) The analysis of suitability/habitability required by Section 6438(b)(3) of these Guidelines provides the information on housing condition called for by federal law.
- (b) The assessment of the housing assistance needs of lower-income households can be derived from the analysis of need required by Housing Element Guidelines Section 6438 and the fair share allocation made pursuant to Article 2.
- (c) In arriving at a realistic annual goal for the number of dwelling units or persons to be assisted, localities can also rely heavily on the housing problem analysis.
- (d) The standards and plans for adequate sites contained in Section 6456 will be helpful to localities in identifying general locations for proposed assisted housing.

In addition, the Guidelines are designed to elicit from localities a comprehensive strategy for addressing housing need. In that the use of federal funds to alleviate housing needs is an important component of local strategy, the federally funded activities outlined in the locality's

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Housing Assistance Plan are properly included in the program section of the local housing element. For housing element purposes, however, the activities must be described in accordance with the provisions of Section 6450 of these Guidelines.

Article 6. Preparation, Update and Review

6468. Public Participation. The housing element shall be developed through a decision-making process which is accessible to and directly involves all economic segments of the community. Effective public involvement requires that citizens be kept informed as the housing element is developed and be provided opportunities to review and comment on the element as it is being prepared. Examples of participation techniques to help ensure responsive planning include:

- (a) Informal working sessions.
- (b) Public hearings.
- (c) Advisory Committees.
- (d) Public information programs.

The public participation process employed by the locality in developing its housing element must be described in the element.

6470. Intergovernmental Coordination. If housing need within a general housing market area is to be confronted effectively, the localities within the market area must cooperate on a continuing basis. The development of a fair share allocation plan provides one vehicle for ongoing intergovernmental coordination. Localities should pursue other regional or sub-regional approaches to confronting the housing problem.

A Council of Governments can also provide a valuable service to localities by reviewing local housing elements from a regional perspective. Each locality should provide a copy of its housing element to the Council of Governments for its area. Localities should also provide the governing bodies of contiguous local jurisdictions with copies.

6472. Update. Because of the inherently dynamic nature of the local planning process, periodic review and appropriate revision of the local housing element is essential.

The housing element shall be revised as need dictates, but no less than once every five years. This periodic revision shall include, as appropriate:

(a) Revision of the housing problem analysis to incorporate new census data made available by the United States Census at five year intervals.

(b) Revision of the housing program to:

(1) Evaluate the effectiveness of the housing program in accomplishing housing objectives and effectuating the policies and priorities established in the housing element.

(2) Set out plans the city has undertaken since the last update or intends to implement in the future.

(3) Identify the current plans which have been discontinued since the last update or will be discontinued, indicating the reasons for their discontinuation.

In addition to the periodic updating of the housing element itself, localities should informally re-evaluate their housing programs at more frequent intervals. Such re-evaluation may be accomplished through a yearly report which examines the housing program in accordance with the

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FOR FILING ADMINISTRATIVE REGULATIONS
WITH THE SECRETARY OF STATE

(Pursuant to Government Code Section 11380.1)

C

outline set forth in subsection (b) of this section. This report could be incorporated in the annual report which each local planning agency must file with its governing board pursuant to Government Code Section 65400(b).

6474. Housing Element Review. Health and Safety Code Section 41134 authorizes the Department to review local housing elements for conformity with the requirements of Section 65302 of the Government Code and these Guidelines, and report its findings.

At least 120 days prior to the applicable operative date as set forth in Section 6478 of these Guidelines, the local housing element shall be submitted to the Department to be reviewed for conformity with Government Code Section 65302 and these Guidelines. The Department shall report to the locality its findings as to the adequacy of the element within 60 days of receipt. If the housing element is found to be inadequate, the Department shall set forth in its report the areas of non-conformance and shall, upon request, work with the locality in alleviating the inadequacies.

Subsequent to the applicable operative date as set forth in Section 6478, the Department, upon request of the locality or of any interested party or at the Director's discretion, shall review adopted local housing elements. The Department shall report its findings within a reasonable time, but in no case later than 90 days after receipt of a request for review. If the housing element is found inadequate, the Department shall set forth in its reports the areas of non-conformance with the requirements of Government Code Section 65302 and these Guidelines. Exhaustion of this administrative review process is not a prerequisite to judicial review of a local element.

The Governor's Office of Planning and Research will be provided with copies of all findings issued by the Department.

The failure of a locality to comply with the procedural requirements of this section shall not in any manner effect the substantive validity of the element if it otherwise conforms to Government Code Section 65302(c) and these Guidelines.

6476. Housing Element Submission. Within two weeks after the applicable operative date as set forth in Section 6478 of these Guidelines, each locality shall provide the Department with a copy of its housing element. Copies of all subsequent housing element revisions, amendments, or updates shall also be sent to the Department upon adoption.

6478. Operative Date. In order to facilitate effective Departmental review of local housing elements, the operative date of these Guidelines is staggered. The following schedule groups localities by regional location and provides the dates by which localities in each of the regional groupings are to have prepared and adopted housing elements in conformity with Government Code Section 65302 and these Guidelines.

(a) Localities within the regional jurisdiction of the Southern California Association of Governments July 1, 1979

(b) Localities within the regional jurisdiction of the Association of Bay Area Governments April 1, 1979

(c) Localities within the regional jurisdiction of the Sacramento Regional Area Planning Commission, the Comprehensive Planning Organization of the San Diego

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CONTINUATION SHEET
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(Pursuant to Government Code Section 11380.1)

Region, the Council of Fresno County Governments,
the Association of Monterey Bay Area Governments,
or the Kern County Council of Governments

(d) All other localities

October 1, 1979

January 1, 1980

Localities should seek earlier compliance where practicable. In the interim, the Housing Element Guidelines originally adopted by the Housing and Community Development Commission on June 17, 1971 and promulgated as emergency regulations by the Department on August 3, 1977, shall continue in effect.

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Appendix C

TABLE I - SURVEY OF HOUSING CONDITIONS

B - 7 9 - M C - 0 6 - 0 5 0 6

3. PERIOD OF APPLICABILITY FROM July 1979 to: June 1982	4. <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION, DATE _____ <input type="checkbox"/> AMENDMENT, DATE _____	5. DATE OF SURVEY(S) USED AHOP 1978
--	---	--

STATUS AND CONDITION OF ALL HOUSING UNITS		YEAR OF ESTIMATE	NUMBER OF HOUSING UNITS					
			ALL UNITS		OWNER		RENTER	
			TOTAL	SUITABLE FOR REHABILITATION*	TOTAL	SUITABLE FOR REHABILITATION*	TOTAL	SUITABLE FOR REHABILITATION*
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
1. Occupied Units - Total	1978	56,612	942	37,443	250	19,169	692	
a. Substandard		1,266	942	371	250	895	692	
b. Standard (line 1 minus line 2)		55,346		37,072		18,274		
2. Vacant Available Units - Total	1978	833	81	304	7	529	74	
a. Substandard		104	81	9	7	95	74	
b. Standard (line 4 minus line 5)		729		295		434		
3. Housing Stock Available - Total (sum of lines 1 and 4)	1978	57,445	1023	37,747	257	19,698	766	
4. Standard Housing Stock Available - Total (sum of lines 3 and 6)	1978	56,075		37,367		18,708		
5. Current Standard Available Vacancy Rate (line 6 ÷ line 3)	1978	1.3		.79		2.32		

DEFINITIONS, DATA SOURCES, AND METHODS (Attach additional sheets, if necessary, and identify with items above.)

1. Definition of "substandard" used.
2. Definition of "suitable for rehabilitation" used.* See attachment.
3. Data sources and methods used.
4. Special housing conditions.

* Required only if the applicant proposes rehabilitation as a part of its Housing Strategy and as a goal for housing assistance.

HUD-7091 (6)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
HOUSING ASSISTANCE PLAN

TABLE II-1 — HOUSING ASSISTANCE NEEDS OF LOWER-INCOME HOUSEHOLDS

1. NAME OF APPLICANT

City of Huntington Beach

2. APPLICATION/GRANT NUMBER

B - 7 9 - M C - 0 6 - 0 5 0 6

3. PERIOD OF APPLICABILITY

FROM: July 1979 TO: June 1980

4.

☐ ORIGINAL

☒ REVISION, DATE — June 11, 1979

☐ AMENDMENT, DATE

5. DATE OF SURVEY(S) USED

1978 AHOP

STATUS OF HOUSEHOLDS REQUIRING ASSISTANCE	NUMBER OF HOUSEHOLDS											
	ALL HOUSEHOLDS				ALL MINORITY HOUSEHOLDS				ALL FEMALE-HEADED HOUSEHOLDS			
	TOTAL	ELDERLY (1-2 persons) and HANDI- CAPPED	SMALL FAMILY (4 or less persons)	LARGE FAMILY (5 or more persons)	TOTAL	ELDERLY (1-2 persons) and HANDI- CAPPED	SMALL FAMILY (4 or less persons)	LARGE FAMILY (5 or more persons)	TOTAL	ELDERLY (1-2 persons) and HANDI- CAPPED	SMALL FAMILY (4 or less persons)	LARGE FAMILY (5 or more persons)
(a)	(b-1)	(b-2)	(b-3)	(b-4)	(c-1)	(c-2)	(c-3)	(c-4)	(d-1)	(d-2)	(d-3)	(d-4)
1. A. Total Owner Households (sum of lines 2 and 3)	1081	246 (40)	428	407	152	36 (6)	55	61	358	121 (13)	169	68
2. Owner Households to be Displaced during the three year program	0	0	0	0	0	0	0	0	0	0	0	0
3. Owner Households (excluding displacees)	1081	246 (40)	428	407	152	36 (6)	55	61	358	121 (13)	169	68
4. Percentage of Total by Household Type	100%	23 (4) %	40 %	37 %								
5. B. Total Renter Households (sum of lines 6, 7 and 8)	8446	1080	4929	2437	1620	260	897	463	2857	864 (94)	1495	498
6. Renter Households to be Displaced during the three year program	0	0	0	0	0	0	0	0	0	0	0	0
7. Renter Households (excluding displacees)	6514	(179) 829	3808	1877	1257	213	686	358	2857	864 (94)	1495	498
8. Households Expected to Reside	1932	251	1121	560	363	47	211	105				
9. Percentage of Total by Household Type	100%	13 %	58 %	29 %								

NARRATIVE (Attach additional sheets, if necessary)

1. Data sources and methods.
2. Special housing needs of lower-income households.

1. Data and methodology based on 1978 areawide housing opportunity plan/regional allocation model.
2. See attachments.

TABLE II-2 — HOUSING ASSISTANCE NEEDS OF LOWER-INCOME HOUSEHOLDS

B - 7 9 - M C - 0 6 - 0 5 0 6

3. PERIOD OF APPLICABILITY	4.	5. DATE OF SURVEY(S) USED:
FROM July 1979 TO: June 1982	<input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION, DATE <u>6/11/79</u> <input type="checkbox"/> AMENDMENT, DATE _____	1978 RAM/AHOP

STATUS OF MINORITY HOUSEHOLDS REQUIRING ASSISTANCE		PROVIDE DATA FOR EACH CATEGORY OF MINORITY HOUSEHOLD, AS APPROPRIATE											
		(Check appropriate box)				(Check appropriate box)				(Check appropriate box)			
		TOTAL	ELDERLY (1-2 persons) and HANDI-CAPPED	SMALL FAMILY (4 or less persons)	LARGE FAMILY (5 or more persons)	TOTAL	ELDERLY (1-2 persons) and HANDI-CAPPED	SMALL FAMILY (4 or less persons)	LARGE FAMILY (5 or more persons)	TOTAL	ELDERLY (1-2 persons) and HANDI-CAPPED	SMALL FAMILY (4 or less persons)	LARGE FAMILY (5 or more persons)
	(e)	(f-1)	(f-2)	(f-3)	(f-4)	(g-1)	(g-2)	(g-3)	(g-4)	(h-1)	(h-2)	(h-3)	(h-4)
1	A. Total Owner Households (sum of lines 2 and 3)	130	32 (5)	45	53	2	0 (0)	1	1	20	4 (1)	9	7
2	Owner Households to be Displaced during the three year program	0	0	0	0	0	0	0	0	0	0	0	0
3	Owner Households (excluding displaced)	130	32 (5)	45	53	2	0 (0)	1	1	20	4 (1)	9	7
4	B. Total Renter Households (sum of lines 5 and 6)	1078	182 (40)	590	306	21	4 (1)	10	7	158	27 (5)	86	45
5	Renter Households to be Displaced during the three year program	0	0	0	0	0	0	0	0	0	0	0	0
6	Renter Households (excluding displaced)	1078	182 (40)	590	306	21	4 (1)	10	7	158	27 (5)	86	45

REMARKS Data and methodology based on 1978 RAM/AHOP

Appendix D

APPENDIX D
LAND BANKING SUMMARY

Of the eleven counties surveyed, four or five offer the most resources to others in planning land banking activities. They are Oroville, Palo Alto, San Francisco, Sacramento City, and Monterey County.

OROVILLE has three programs. Using CDBG funds, the city buys land and the County Housing Authority builds the needed elderly units. Secondly, because of a zoning overlay, private developers are encouraged to use vacant land in the downtown commercial area for elderly housing; this is all privately funded. Thirdly, after a citizen committee pinpointed sites for future development, the city is considering purchasing some of these sites before their value escalates. Contact David Jenkins at (916) 533-9551 for further information.

PALO ALTO began land banking several years ago, buying sites for low-income housing from their capital improvement money in the General Fund. This last year they used CDBG money. Two sites have been built and they are ready to build on the third and fourth. Contact Lynnne Melena at (415) 329-2347 for further information.

SAN FRANCISCO is just beginning to land bankland for low-income housing, and are currently considering sites to purchase with CDBG money. They are also exploring the possibility of using surplus land for low-income housing. This land may be currently in another department like the Department of Recreation, or may have been acquired by the city because of defaulted taxes. For further information contact Dave Cintotta at (415) 558-4566.

SACRAMENTO CITY has seven different projects in mainly two areas of the city. On one project they are seeking to acquire additional land in a 2-block area so that they can then go in and clear the entire area for low-income housing.

In another project Sacramento City acquired a railroad right-of-way and used it for elderly housing. They also have acquired land, relocated the buildings for rehabilitation, and plan to build market-rate multi-family housing on the site. They also have a Homeowner Opportunity Program (urban rehabilitation by the owners). For further information please contact Andy Plesia at (916) 449-5604.

MONTEREY COUNTY does not hold the land for a very long period of time, but because their program is unique, it deserves mention. The LHA buys the land and sells it to a developer (who pays for it when he/she sells the project). LHA sells property and takes bank loan with interest. The developer then builds the units using private construction financing. Family uses FmHA 502 loan to finance purchase. The LHA, during this time, is working with the prospective buyer in a counseling program regarding financing, budgeting, maintenance, etc. After the private party purchases the home, the county reinvests their money in more land and the process is begun again. For additional information contact Bruce Moore at (408) 424-2892.

Also, since the charts went to the typist, we have become aware of possible land banking programs in Berkeley and San Jose. The list continues to grow.

Source: State Department of Housing and Community Development

DAVIS

Contact Person: Gloria McGregor
Community Development Department
(916) 756-3740

Davis first received an Innovative CDBG Grant for the planning of energy-conserving homes. The next year they received an Innovative CD Grant to buy six scattered sites on which to put the homes (they had one additional lot which had been an old well site). In 1977, they received a grant from Farmers Home Administration to cover 90% of the cost of putting the energy-conserving homes on the seven lots, scattered throughout the city. The Farmers Home Program 514 makes money available to public bodies (no population limitation) if there is a pressing need for farm labor housing. The City of Davis will pay the remaining 10% of the cost of building the homes. The city will own both the land and the home and Yolo County Housing Authority will manage the project.

The homes will be built by private developers as part of the city's growth management site allocation program and will be rented by farm workers. Farmer's Home Administration does not have an income limitation but Davis and Yolo County will try to rent the units to low-income people (for \$155 a month). There will be one single-family dwelling and six duplexes. Davis has an Article 34 Referendum (1975).

Davis is also beginning another project of 25 low-income housing units funded by HUD, land acquired by CDBG money, also on scattered sites but not using solar energy.

HUNTINGTON BEACH

Contact: Steve Kohler
City Planning & Environmental Resources Department
(714) 536-5541

\$250,000 of CDBG money has been allocated for site improvement for low-income housing for senior citizens in Huntington Beach. Instead of buying additional land, the city decided to use the old civic center site of 5.44 acres in the downtown area near the beach, and use the CDBG money for site improvement. Private money will build the units, the land being leased to the developer. Therefore, the land will be off of the tax rolls. Section 8 existing will be used for rent subsidies.

Through SCAG, Huntington Beach has asked the Attorney General's office in Sacramento for an opinion in regard to both the lease-hold and the writedown questions.

Mr. Kohler would be interested in a meeting for those involved in these projects so that they could exchange ideas.

Enclosed are summaries of their three proposals.

IRVINE

Contact Person: Pam Sheldon
Planning Department
(714) 754-3658

The first three years of Irvine's six-year HUD contract, they accumulated \$269,000 CDBG money for land acquisition and/or to use for off-site improvements, thus helping lower the cost for the private developer who in turn would pass on the saving to the renters. The fourth year the city surveyed the community and found that the citizens approved of off-site improvements for low-and moderate-income housing. The sixth year, Irvine might buy land with the HUD money.

Currently under consideration is a proposal by a private developer for low-income housing. The total project will be 160 units, 100 of which will be developed through Section 8 new construction contract. The development cost of the remaining 60 units will be subsidized through CDBG monies, making as many units available at fair-market rents as possible.

The accumulated CDBG money will be given to the developer to apply on the purchase of land and/or improvements; this will be documented in a contract obligating the developer to pass on these savings to the renters. The contract will last for the term of the mortgage, probably 30 years. Of the 100 rental units built under Section 8, 25 units will be for the elderly and 75 units will be for families. The remaining 60 units will have adjusted rents, influenced by the contract with the city based on the CDBG funding, and be for the elderly. Because the developer holds the deed to the property, it will be on the tax rolls. The project is located in Town Center near the University of California at Irvine, and involves 5.3 acres.

Irvine does not have a referendum for Article 34. However, the Citizen's Committee working on the Housing Element has suggested that the city put such a referendum on the next ballot. Also, because the Irvine Company has a project approved by CHFA ready to build but cannot do so because of the lack of the referendum, they also urge a referendum. Besides working to implement these suggestions, the city is also following legislation on the revising of Article 34.

MONTEREY COUNTY

Contact Person: Bruce Moore
Housing Authority
(408) 424-2892

Using its own money, the Housing Authority has bought land for low-income single-family dwellings. Through their counseling services the county helped with the zoning, found private builders to whom they sold the land, and help the family to qualify for FmHA 502 loan. The family then purchased the completed project from the builder. There was no writedown of the land to the builder, the incentive being not having to pay for the land until the project is completed and the profit made on building the house. In the past three years almost 200 sites have been developed on scattered areas throughout the county, usually in rural areas and in cities of below 10,000. About \$133,000 of local Housing Authority funds is currently invested in the program. County general funds provide staff travel expenses. LHA provides funds for purchase of land. FmHA 502 provide take out financing.

They do not need an Article 34 Referendum because the builder sells directly to the family. However, they do have a referendum if they do need it.

OROVILLE

Contact Person: David Jenkins
City Administrator
(916) 533-9551

Using a 701 Grant, Oroville found that 25% of their citizens were over 62, and did not have adequate housing. Therefore, using CDBG money to buy the land and the Housing Authority to build the units, they are now in the process of narrowing down the sites to make the actual purchases. The units will be for the elderly, downtown, near the needed services; the city has established an overly zone for this purpose. Sites for rental units will also be purchased by private developers, and built using Section 8 and Farmers Home 515. Oroville had an Article 34 Referendum in 1976 for 150 units; they will probably use up this referendum authority this year.

A citizen's group pinpointed future sites for low-income housing; the city is currently considering the purchase of some of these sites before their value increases. This will be in next year's CDBG proposal.

Jenkins would like to have a meeting of those who are doing land banking for low-income housing, and for those who are interested in doing so, so that they all could exchange ideas.

Palo Alto

Contact Person: Ms. Lennie Malena, Community Development
(415) 329-2347

Palo Alto began land banking site acquisition for low- and moderate- income housing in 1971. However, they do not plan to hold the land long; they have completed building on the first site, are in the process of building on the second, and are reviewing plans for the third and fourth, planning to begin construction in January, 1978.

The first site (Litton Garden, Phase I) was purchased by City Hall using capital improvement money (\$600,000) from the general fund. It was then sold to two churches who had formed a non-profit corporation. They made a minimal down payment to the city, and signed a contract to pay nothing until 30-40 years at which time they would pay the balance of the contract or allow the city to buy it back again for \$1.00. The 2.2 acre site is near the downtown area; and because it is 236 elderly housing, the land is taxed on the basis of the income generated by the project.

The second site (Webster Block) was also purchased using General Fund capital improvement money (\$475,000). It was then sold to a private non-profit developer with a contract similar to the above, except that the terms of the contract are for 67 years. The family units are in an older residential part of town on about 4 acres and will use Section 8: existing as a rent subsidy.

The third site (Power Parcels) was also purchased using the capital improvement money from the General Fund (\$193,250). Elderly units will be developed by a private developer near a new multi-family residential and commercial area using Section 8 monies.

A non-profit organization is now in the process of purchasing the fourth site (Litton Gardens, Phase II) and the city is contributing \$200,000 in CDBG funds to help with the purchase. The multi-unit elderly housing will be built using Section 8 money, and will be in the downtown area, adjacent to the first site purchased in 1971. Phase II involved 1.1 acres of land.

Palo Alto did not have a referendum for the first purchase (before the Elliott decision). They had an Article 34 Referendum for the second purchase and probably do not need them for the other two purchases.

Legal opinions are included in the enclosed summary of their Land Banking Program which was written in 1974.

Sacramento City

Contact Person: Andy Plescia -- City Planning Department
(916) 449-5604

Sacramento city plans to use CDBG money through their Redevelopment Agency to buy property, clear and prepare the land, and then seek to sell it using Section 8 as incentives for guaranteed rent subsidies and CHFA for direct loans. They have done or are doing this at several sites (see enclosure).

1. Land in Alkali Flat was purchased in 1975 for low-income housing for the elderly. The units will be built using tax increment money.
2. Also in 1975, the Redevelopment Agency bought land in Oak Park, relocated the people, demolished the structure, and now a private developer has a CHFA-approved loan and will be building 24 large family units on the site.
3. The Oak Park Land in the 35th Street area is now in the process of being bought. 95% of the two-block area is vacant former-business buildings. After enough sites have been bought, the city will clear the land and use it for multi-family development.
4. In 1975 they began to buy 3/4 of a block at 6th and I for elderly housing using tax increment money. It will be a high-rise, 10-story building with the first 3 floors being office space and the other 7 floors being elderly housing units. It took a long time to complete this transaction because of the historic houses that were on the land. The end result will be that the city will only use 1/2 of the block for the high-rise, and the historic homes which are located on the other 1/4 block have been bought and will be relocated and rehabilitated.
5. Stockton Blvd. and 21st Street used to be a railroad right-of-way which the city bought in 1976, relocated the used car lot which had been on part of the site, and are now seeking Section 8 funding for the elderly for the vacant land.
6. The city is now in the process of buying 5-6 parcels of land in Alkali Flat on 10th-11th/E-F Streets. They will then relocate (or demolish) the four buildings to other sites and rehabilitate them, using the Alkali land for market-rate multi-family housing. The city will give incentives to the builders in the form of write-down, density bonuses, and/or public improvements.
7. The city also has acquired 5-6 scattered sites in Alkali Flat in a four block area for single-family dwellings. Structures will be relocated onto these sites and a Homeowner Opportunity Program will assist the tenants to own them. They will be sold for a dollar, for example, and with the aid of local and federal low-interest loans, the family will be able to have the home rehabilitated. The city-owned land will be turned over to the homeowner.

SAN DIEGO

Contact Person: Elisa Locke - Housing & Community Development Department
(714) 236-4937

San Diego County has .5 million dollars in CDBG monies for the purpose of buying land for low-income housing. They have begun to look for sites to acquire, using their Growth Plan and General Plan as guides, but considering all parts of the city.

They plan to use either writedown policies to the developer, thus having the land on the tax rolls, or a lease-back program, thus having the land not on tax rolls. The city would use the money gained in the lease program to add more low-income housing to the community.

They do have an Article 34 Referendum (1976) which is inadequate; it states that the county can accept subsidy from state and federal sources for low-income housing, but that the county cannot build or own the low-income housing. They will seek another Article 34 Referendum which does not have these restrictions.

They would like to have a mix of housing built; however, HUD seems to give preference to family housing (because there is so little of it). Therefore, they will probably build housing for which the subsidies are most readily available.

The county will not assist the developer more than the writedown or lease-back; the private developers will not seek Section 8 monies.

They have a legal opinion saying that the county may writedown or lease-back land for low-income housing, but not for moderate-income housing. Enclosed is a press release and Article 34 information which they sent us.

In the past three years, the Redevelopment Agency has used about \$1.5 million in CDBG monies to acquire the above land. All of the land has been in Community Development areas except for the railroad right-of-way on Stockton Blvd. and 21st Street. Although the city has not changed the purpose of land in the past, they may do so in the future as they will probably use just 1/2 block for the elderly housing on 6th and I instead of the 3/4 block which was bought for that purpose. As in other cities, the units are usually built by private contractors. Also, the city has an Article 34 Referendum for 1,000 units.

SAN BERNARDINO COUNTY

Contact Persons: Al Harkins, Housing Authority Director (714) 884-1811
Ann Sincusa, CDD. (714) 383-2945

San Bernardino is in the fourth year of CDBG application. They are considering land acquisition for the purpose of constructing low- and moderate-income housing. They will keep us informed.

SBHA has just received a preliminary loan from HUD for planning and are working on two projects; they want to develop 49 units in San Bernardino and 49 units in Barstow. Each city currently owns some sites which they will use; they will also seek an option to buy on other sites which they will make available to the private developers. After the project has been satisfactorily completed for one year, the Housing Authority completes the purchase of the project from the private developer. They plan to build 3-4 bedroom family units with no more than 4-6 units per site located throughout the city.

Both San Bernardino and Barstow have had successful Article 34 Referendums.

San Francisco City

Contact Person: Dave Cintotta - Community Development Department
(415) 558-4566

More than \$2,300,000 of CDBG money has been set aside for site acquisition. The land is/will be purchased by the Redevelopment Agency in (Chinatown), the Housing Authority, and the Housing Development Corporation in other areas of the city. The sites are chosen for two reasons: (1) if the land cost is high, and therefore in need of writedown for the developer, and/or (2) if the area does not now have subsidized housing. The agency holds title to the land and contracts with the developer who will use Section 8 for the housing. Therefore, it is not on the tax rolls; the city has also waved the in lieu taxes for the past five years.

The city is in the process of exploring the possibility of declaring unused land to be surplus and, therefore, available for low-income housing. This land might now be in the Recreation or Water Departments, for example, or received because of defaulted tax payments. The city would then sell this land to private developers. They hope to begin this in the next two months, developing various low-income units appropriate to each site.

They are now answering the questions of writedown and/or if they must put the land out for bid. They will send us any resulting legal opinions.

VISALIA

Contact Person: Vern Bitney, Redevelopment Agency Director
(209) 734-2011 ext. 352

A form of site acquisition for low-income housing has been done in redevelopment areas in Visalia. The Redevelopment Agency has bought the substandard house from the owner, torn it down and replaced the house, and sold it back to the owner. About \$400,000 of CDBG monies have been used each of the past three years for the replacing of about 60 acres of housing. HUD appraises the substandard home which the RA then buys, replacing it by following HUD guidelines. If the family wishes to improve their home above this standard, they may do so by acquiring an additional private loan from a bank, etc. The RA only buys the house if it needs to be replaced; if it is just substandard and can be rehabilitated, they use their rehab program for the project. Also, if the owner does not live in the house which needs to be replaced, RA buys the substandard house and tears it down, but does not replace it. (RA relocates the tenants in these cases.) This type of low-income housing replacement is usually done in a geographic area.

Secondly, the Redevelopment Agency is currently in the process of acquiring 14.7 acres with \$364,175 CDBG money which includes \$239,500 in relocation costs for 28 occupants. It is interior, inaccessible land which is in an urban renewal plan. They will sell the land to a private developer at the appraised market value of \$75,000--\$100,000, thus underwriting some of the cost of cleaning up the land and making it suitable for housing. They plan to build single-family, single-unit dwellings, one unit per site.

Visalia has an Article 34 Referendum for 200 units.

Appendix E

APPENDIX E

INCLUSIONARY ZONING

INTRODUCTION

The term "inclusionary zoning" is used to denote a technique whereby communities either require or encourage the private development of low- and/or moderate-income housing by adding to the development approval process a check point at which such units are mandated or subject to a negotiated alternative. Generally, either Zoning or Subdivision Ordinances are used as the device to require or encourage development of a stated percentage of a new project as low- and/or moderate-income housing. In some cases, inclusionary programs have been mandated by requirements of the Housing Element of the General Plan.

The following discussion is based upon an examination of inclusionary ordinances and programs in several California cities and counties, and the model generated by Montgomery County, Maryland. In order to establish a framework for analysis and decision-making, a brief review of those programs is first presented; an evaluation is then made of the impact upon housing cost of inclusionary requirements, a discussion of major issues involved in inclusionary programs is set forth, and a recommended outline of an inclusionary program for San Mateo County is presented.

INCLUSIONARY ORDINANCES

Orange County, California

Under provisions of the Housing Element of the General Plan adopted by the County on January 31, 1979, it is now required that 25% of the units in all new developments within the County unincorporated area, be for low- and moderate-income persons. The Housing Element further outlines the low- and moderate-income mix required as follows: ten percent of the units are to be for low-income persons, defined as those with incomes of 80% or less of the County median income (these units are required only if Federal subsidies are available); ten percent of the units are to be for low/moderate-income households, defined as those with incomes between 80% and 100% of the median; and five percent of the units are to be affordable by moderate-income persons, defined as those having incomes between 100% and 120% of the median.

The requirements apply to rental developments, new sales housing of all types, and condominium conversions. In order to assist developers in meeting the requirements, the County will permit greater densities than ordinarily would be the case, and will relax parking requirements. In addition, the County intends to utilize a portion of its Community Development Block Grant allocation to off-set some development costs, through

Source: Affordable Housing: A Comprehensive Strategy for Meeting San Mateo County's Housing Needs, Division of Housing and Community Development, and Human Services Coordinating Council, San Mateo, California, June, 1979

infrastructure improvements, purchase of the land and resale to the developer at a written-down cost, and so forth.

Orange County's requirements are flexible, in the sense that alternatives to the inclusion of the prescribed units are possible; such alternatives include County acceptance of land dedications, shifting of the requirement to other projects, and any other proposal deemed reasonable by the County. The inclusionary requirement is inapplicable in geographic locations in which 25% or more of the housing stock is currently at low- and moderate-income levels.

For sales units, an anti-speculation device, initiated and controlled by the developer, is required with respect to first buyers. The Board of Supervisors has determined that resale prices should not be controlled unless governmental funds have been used to reduce the price of the units, in which case measures to ensure long-term continued affordability will be required.

Palo Alto, California

Palo Alto's inclusionary requirements also are found in the Housing Element of its General Plan. They are less comprehensive in scope than Orange County's, and apply only to multi-family ownership developments of ten units or more. Rental housing of all types is excluded, as is single family sales housing.

In the Palo Alto situation, the requirement is that 10% of the units being developed be set aside for sale at prices below the prevailing market rates; the price targeted as "below market" for each development is equal to the actual cost of construction on a per-unit basis for that development, exclusive of the cost of land, marketing costs and profit. The Palo Alto program has a large element of negotiation relative to the actual prices of the below-market rate units, the number of such units to be included in each development, and their design. The trade-offs which render the requirement financially feasible to the developer generally revolve around the scaling-down of design, amenities and size of the below-market rate units, and a slight raising of the prices of the rest of the units in a development.

In cases involving the development of luxury units, where pure construction costs are above those which would result in a unit affordable by low- or moderate-income buyers and in which scaled-down design is not feasible, the City will accept a cash payment in lieu of unit production. That payment is calculated as the difference between construction cost and the sales price.

Units produced as result of the program are deed restricted to owner-occupants; and to provide the City a first right of refusal upon resale at a mandatory price equaling the lesser of appraised value at time of sale or original purchase price, plus appreciation at the rate of increase in the cost of living index for the period between original purchase and resale, plus the

value of major improvements. The non-profit Palo Alto Housing Corporation administers buyer selection and unit resale elements of the program. The terms of program compliance for new developments are handled by the City Planning Department.

City of Cupertino

The City of Cupertino, via provisions of the Housing Element of its General Plan, requires developers of ownership projects of ten or more units with densities of six units to the acre or more to set aside 10% of the development for purchase by households earning between 80% and 120% of the Santa Clara County median income. The program is structured so as to provide the developer with a density bonus of up to 20% in return for the below-market rate units. In addition, developers are permitted to cut costs by scaling-down the amenity packages applicable to the below-market rate units, and to reduce their size; it is required, however, that the exterior of the units be identical to all others in the development. The City also will eliminate inspection fees, park dedication and similar fees to assist in the lowering of unit prices.

Cupertino's program is designed so as to create a mix of below-market prices, scaled to the 80%, 100% and 120% of median income levels. To encourage production of units at the lower prices, the City will utilize Community Development Block Grant funds to off-set land, site improvement costs, and the like.

The below-market rate units are deed restricted to assure continued owner-occupancy and to prohibit windfall profits at resale. Resale prices are controlled by the deed restriction; permitted resale price is the original purchase price, plus increases as per the Cost-of-Living Index, plus market value of substantial improvements made by the owner. The Santa Clara County Housing Authority has a first right of refusal for all resales of below-market rate units.

The County Housing Authority administers buyer selection and resale provisions of the program. Developer negotiations are handled by the City.

City of Los Angeles

The City of Los Angeles requires by ordinance that a total of 15% of the units in all new developments of five dwellings or more, and all condominium conversions, be set aside for occupancy by persons of low- and moderate-income. The 15% requirement is further defined as consisting of 6% affordable by low-income persons and 9% affordable by moderate-income persons. The Los Angeles ordinance is structured so as to require developers' "every reasonable effort" to bring the units in at prices within the ceilings of existing housing subsidy programs. If either it is determined that the units cannot be produced at such rental or sales prices, or that applicable subsidies are not available, then the City Housing Authority has a continuing right of first refusal, upon availability of units in the developments

to which the ordinance applies, to secure up to 15% of the units at the then current fair market prices for occupancy by low- and moderate-income households.

The Los Angeles ordinance, in reality, is effective only when subsidy funds are available and only when HUD's Fair Market Rents and/or Section 235 mortgage ceilings are realistic to the actual market in new construction. This combination of favorable circumstances is not often the case; it generally is thought that the Los Angeles ordinance is too weak to be effective in the generation of below-market rate units either for rent or for sale.

Montgomery County, Maryland

Montgomery County's inclusionary program is contained in a special County ordinance entitled the "Moderately Priced Dwelling Unit" ordinance. It is more restrictive and mandating than ordinances found in California. In Montgomery County it is absolutely required in all developments of fifty units or more that 15% of the dwellings be priced as moderate income units; five percent must be offered to the Montgomery County Housing Opportunities Commission, which administers the County's Section 8 Programs, for inclusion in its rental housing programs, and ten percent must be marketed to income-eligible households.

The prices of the moderately-priced units are set by the County periodically, and are based upon construction costs exclusive of land. These price ceilings are mandatory. Density bonuses are given if desired by the developer; they do not tend to be used in developments of the high-end, large lot subdivision type. In the latter type of development, the developers will more likely raise the price of the market rate homes rather than seeing a portion of the development be more densely developed. The one exception to the program is that a land dedication is possible in lieu of development of 15% of the units as low- and moderate-income housing.

The income group to which this program is directed is that group with incomes somewhat higher than those permitted under the Section 8 program; however, to be eligible, income cannot exceed 200% of HUD's standard for "very low" income.

Units produced under the ordinance are deed restricted for a period of five years. During that five year period, the prices of units resold or re-rented are controlled by the County on the basis of a formula which reflects increases in the Cost-of-Living-Index plus the value of major improvements made to the units.

BASIC ISSUES TO BE ADDRESSED

An evaluation of the potential use of inclusionary programs in San Mateo County must first address several issues inherent in the technique. These

TABLE 1
ILLUSTRATION OF DEVELOPMENT COSTS AND PURCHASER INCOME
UNDER ALTERNATIVE INCLUSIONARY ZONING - DENSITY BONUS CONFIGURATIONS
TYPICAL TOWNHOUSE OWNERSHIP PROJECT

	Base Case 14 Units/Acre 50 du @ 1,300sq.ft. Costs of All Units	Alternative A: * 20% Density Bonus 15% Unit Inclusion Costs of "15%" Units Only	Alternative B: * As Alternative A But Without Profit Costs of "15%" Units Only	Alternative C: * As Alternative B But Units @ 1,200sq.ft. ⁽¹⁾ Costs of "15%" Units Only	Alternative D: * As Alternative C But showing effect Of Tax-Exempt Loan ⁽³⁾
Land @ \$4.00/sq.ft. (155,571 sq.ft.)	622,300	-0-	-0-	-0-	-0-
Construction Costs					
Site preparation @ \$1.00/sq.ft.	155,600	-0-	-0-	-0-	-0-
Off-site Improvements, estimated	15,000	-0-	-0-	-0-	-0-
Unit Construction @ \$35/sq.ft.	<u>2,275,000</u>	<u>409,500</u>	<u>409,500</u>	<u>378,000</u>	<u>378,000</u>
Subtotal Construction Costs	2,445,600	409,500	409,500	378,000	378,000
Indirect Costs @ 25% Constr.	<u>611,400</u>	<u>102,400</u>	<u>102,400</u>	<u>94,500</u>	<u>94,500</u>
Subtotal Development Cost (Including Land)	3,679,300	511,900	511,900	472,500	472,500
Average Per Unit	73,600	56,900	56,900	52,500	52,500
Profit @ 10% Retail Price	8,200	6,300	-0-	-0-	-0-
Total Unit Sales Price Per Square Foot	81,800 62.92	63,200 48.62	56,900 43.77	52,500 43.75	52,500 43.75
Percent Change to Unit Sales Prices	-22.74%	-9.97	-7.73		
Total Percent Change			-35.82		
Required Buyer Income ⁽²⁾					
10 Percent Down-Payment	36,600	29,200	26,400	24,500	20,800
15 Percent Down-Payment	34,800	27,800	25,200	23,300	19,800
20 Percent Down-Payment	33,000	26,400	23,900	22,200	18,900

(1) Below market units at 1,200 square feet.

(2) Assumes 10 1/2 percent, 30-year mortgage; principal, interest, taxes and insurance equal 25 percent gross income; allowance made for homeowner exemption.

(3) Tax-exempt mortgage financing assumed at 8.25 percent to buyer; all other terms constant to (2).

* Assumes that of the total number of units permitted by virtue of the bonus (i.e., 90 units), 15% must be reserved for low- and moderate-income households (i.e., 14 units).

issues are as follows:

- Should density bonuses be granted?
- Should such a program apply to all types of units, and what number of units should trigger the program?
- Should variation in unit design be permitted?
- How should affordability be defined?
- Should measures be taken to assure continued affordability?
- Should monetary subsidies be included in the program?

Density Bonuses

Most inclusionary programs include a provision for an increase in the density of projects subject to a set-aside requirement. What is recognized by the density bonus technique is that trade-offs are required if less-than-market-rate housing is to be developed without public subsidies. In financial terms, this is a practical approach.

Table 1 on the facing page illustrates the effect upon development costs and purchaser income of a basic density bonus inclusionary program for a typical townhouse condominium development. The first column (Base Case) depicts costs of a 50 unit development with density at 14 units to the acre and units averaging 1300 square feet each. In the base case, the units typically would sell for about \$81,000 and would be affordable to households with incomes of \$33,000-\$36,000.

Alternative A is a basic density bonus situation in which 15% of the units built are to be sold at below market prices; a 20% density bonus is permitted. In Alternative A, land, site preparation and off-site improvements costs are eliminated by virtue of the increase in density. The cost of the below-market rate units drops by almost 23%; these units now are affordable by households in the \$25,400-\$29,200 range, which is about 126% of median.

Alternative B takes the process a step further, and eliminates developer profit from the below-market rate dwellings. It should be noted that most of the inclusionary programs examined earlier premise the price of below-market units upon elimination of profit therefrom. The theory here is that the developer remains "whole" or improves his profit picture by virtue of having gained extra market priced units from the density bonus, which units when sold will include profit over and above that which would have accrued in the base case. Removal of profit on the below market rate units brings costs down another 10% (approximate); the resultant price (\$56,900) is about 30% under the prices of the base case. Required buyer incomes drop to \$23,000-\$26,400, which is approximately 120% of median income for the area.

TABLE 2

EFFECT ON DEVELOPERS PROFIT OF
INCLUSIONARY ZONING: DENSITY BONUS ALTERNATIVES

	Base Case		Alternative A		Alternative B	
	Market	Below-Market	Market	Below-Market	Market	Below-Market
Number of Units	50	--	51	9	51	9
<u>Per Unit Factors</u>						
Land Cost	\$ 12,500	--	\$ 12,200	\$ --	\$ 12,200	\$ --
Development Costs	48,900	--	48,800	45,500	48,800	45,500
Indirect Costs	<u>12,200</u>	--	<u>12,200</u>	<u>11,400</u>	<u>12,200</u>	<u>11,400</u>
Subtotal Costs	\$ 73,600	--	\$ 73,200	\$56,900	\$ 73,200	\$56,900
Selling Price	\$ 81,800	--	\$ 81,800	\$63,200	\$ 81,800	\$56,900
Developer Profit	\$ 8,200	--	\$ 8,600	\$ 6,300	\$ 8,600	\$ -0-
<u>Total Project Profit</u>						
Market Rate Units	\$410,000	--	\$438,600	--	\$438,600	--
Below-Market Units	<u> </u>	--	<u> </u>	\$56,700	<u> </u>	--
Total	\$410,000		\$495,300		\$438,600	

Note: All land cost, site preparation and off-site costs allocated to market rate units.

Source: Table 1.

The remainder of the Table, Alternatives C and D, illustrates cost reductions achieved through reducing the size of the below-market units, and the difference made to buyer income by availability of tax-exempt long-term mortgage financing. Both of these matters will be addressed in subsequent material. Both approaches can also be combined under the other alternatives, A and B, to reduce buyer costs.

The impact of the density bonus-inclusionary combination on the price of rental housing is discussed in the next section of this presentation.

In order for the program to work effectively, homebuilder profits must at minimum be maintained. Table 2 shows the profit implications of the inclusionary zoning/density bonus situation described in the prior discussion. Under the first alternative whereby a twenty percent density bonus is offered in exchange for a 15 percent below market unit commitment, and development profits are allowed on both market and below market rate units, total project profitability increases substantially from \$410,000 in the base case to \$495,000 under Alternative A. The profit improvement assumes that selling prices can be maintained on the market rate units and that increased density lowers per unit costs for land, site development and off-sites. Finally, the example assumes that the builder is allowed to earn a 10 percent profit on the selling price of the subsidized units.

In the second case, Alternative B, the developer still realizes improved profitability on the market rate units, but is not permitted to earn profits on the below market component of the project. Nevertheless, the increased density improves his total profit on the project by almost 10 percent or close to \$40,000. The other alternatives, C and D, shown in Table 1 do not effect builder profitability.

In all cases then, there would appear to be adequate incentive for the private sector to participate in the program.

This incentive is critically important. If the profit benefit, and resultant incentive, produced by the density bonus did not exist (as, for example, in an inclusionary program structured without a bonus), the net effect of the inclusionary program would be to drive up the prices of all non-inclusionary market-rate units (in the case of a 15 percent inclusionary requirement, 85 percent of all new residential construction would be artificially inflated). Developers would be forced into the position of raising the prices of their market rate units in order to compensate for losses on the required below-market rate dwellings. In the overall view, such a market action would negatively impact upon the entire housing market of the area and would unfairly penalize all buyers not income-qualified to participate in the inclusionary program.

In summary, the case for density bonuses is two-fold: (1) they allow a development to effectuate substantial cost savings which can be passed on to moderate-income consumers; and (2) they work to maintain sufficient profit motivation to encourage private sector participation in the program.

TABLE 3

REQUIRED RENT LEVELS UNDER ALTERNATIVE
PROJECT DENSITY ASSUMPTIONS
(Typical Low-Rise Apartment Project)

	Base Case	Bonus Density (+20%)		Bonus Density & Tax-Exempt Financing(5)	
		Market Rate Units (1)	Low/Moderate Income Units (1)	Market Rate Units (1)	Low/Moderate Income Units
Total Units	75 ⁽²⁾	76 ⁽²⁾	14 ⁽²⁾	76 ⁽²⁾	14 ⁽²⁾
Density (Units /Acre)	30du/ac	- - - - -36du/ac	- - - - -	- - - - -36du/ac	- - - - -
Land Requirement					
Acres	2.5ac	2.5ac		2.5ac	
Square Feet	108,900SF	108,900SF		108,900SF	
Land Cost @ \$4.00/SF	\$ 435,000	\$ 435,000	\$ -0-	\$ 435,000	\$ -0-
Construction Costs					
Direct Costs					
Site Preparation					
(108,900 SF @ \$1.00/SF)	110,000	110,000	-0-	110,000	-0-
Unit Construction					
(No. units x 950SF x \$30/SF)	2,138,000	2,166,000	399,000	2,166,000	399,000
Subtotal Direct Costs	\$2,248,000	\$2,276,000	\$ 399,000	\$2,276,000	\$ 399,000
Indirect Costs					
Financing(3)	\$ 221,300	\$ 223,700	\$ 39,200	\$ 83,500	\$ 14,600
Other @ 15%	337,000	341,400	59,900	341,400	59,900
Subtotal Indirect Costs	\$ 558,300	\$ 565,100	\$ 99,100	\$ 424,900	\$ 74,500
Total Construction Costs	\$2,806,300	\$2,841,100	\$ 498,100	\$2,700,900	\$ 473,500
TOTAL DEVELOPMENT COSTS INCLUDING LAND	\$3,241,300	\$3,276,100	\$ 498,100	\$3,135,900	\$ 473,500
Developer Cash Equity	\$ 435,000	\$ 435,000	\$ -0-	\$ 435,000	\$ -0-
Developer Return on Equity	\$ 22,000	\$ 22,000	\$ -0-	\$ 22,000	\$ -0-
(Before equity buildup & taxes)					
Percent	5.0%	5.0%	-0-	5.0%	-0-
Required Gross Rental Income ⁽⁴⁾	\$ 508,000	\$ 513,000	\$ 84,100	\$ 408,000	\$ 65,700
Average Rent Per Unit Per Month	\$ 564	\$ 563	\$ 501	\$ 447	\$ 391
Required Annual Income					
Rent Equals 25% of Income	\$ 27,100	\$ 27,000	\$ 24,000	\$ 21,500	\$ 18,800
Rent Equals 30% of Income	22,600	22,500	20,000	17,900	15,600
Rent Equals 35% of Income	19,300	19,300	17,200	15,300	13,400

(1) Assumes that of the additional permitted bonus units (i.e. +20% x 75 = 15 units) approximately 15% (i.e. 11 units) must be reserved for low/moderate income families.

(2) Average unit assumed at 950SF.

(3) Interim and permanent loans equal total development costs excluding land; interim loan @ 13% and 2 pts. - permanent loan @ 10.5%, 30 years, 1 pt.

(4) Assumes gross rental income (100%) is equal to sum of operating expenses (35%) and net operating income (65%), where the latter is equal to sum of developer return on equity at 5% and debt service payment.

(5) Interim and permanent financing at 8.25%, no loan fees.

It is important to recognize, however, that in many instances existing zoning may already reflect the maximum capacity of a given parcel for development; density bonuses in such situations obviously will be inapplicable. Additionally, in environmentally sensitive areas, such as the coastal area and hillside regions, increased densities may prove either impractical or simply undesirable. Alternatives to density bonuses may be necessary in such instances.

It is our conclusion that density bonuses go far to render inclusionary programs workable and should be a part of such a program. Los Angeles' "Fifteen Percent Ordinance", for example, does not contain a density trade-off; rather, it essentially ties production of below market rate units to existing subsidy programs. Given current costs of land, construction and finance, it frequently is not possible to produce new housing at costs within the limits of subsidy programs as they currently are structured. Therefore, the cost reduction results of bonuses become critical to effectiveness of an inclusionary program.

In those situations in which, for reasons of physical or environmental constraint, increased densities are inappropriate, either alternatives for cost reduction would need to be applied, or inclusion deemed inapplicable.

Program Applicability

Most inclusionary ordinances and programs exempt projects with fewer than a specified number of units and/or developments at less than a given base density. The most effective "floor", if density bonuses are to be granted, is that combination of base density and units which, when a density bonus and inclusionary requirement are applied, yields one or more market rate units over and above the number which otherwise would have been produced; this ensures a measure of incentive for developer cooperation.

It is unlikely that a inclusionary ordinance or program will be applied to any single development without relatively time-consuming negotiations relative to terms. Therefore, it does not seem practical to structure this kind of program for very small developments, where only one or possibly two below-market units would result. It is largely for this reason that many such programs are designed to apply only to relatively large projects, of 20-40 units and up, in medium densities and higher. In such projects there frequently are economies of scale in construction, which produce higher return to the developer. For this reason, it is easier to successfully apply a density bonus inclusionary requirement, as it is more likely that developer return will remain acceptable.

Table 3 on the facing page illustrates effect on cost of rental units of the density bonus inclusionary zoning technique. The first column presents a development proforma for a typical 75-unit apartment development initially to be built at a density of 30 units to the acre; the units average 950 square feet. In this example, with a modest pre-tax return to the developer of 5 percent, required monthly rents would be approximately \$565, or \$.59 per square foot. Such rents necessitate tenant incomes from about \$20,000

to \$27,000, which is slightly above 120 percent of the median income for the San Francisco Bay Area.

The second set of columns depicts the project as it might be after application of a 20 percent density bonus and a requirement that 15 percent of the resultant units be marketed at prices reflecting exclusion of land site preparation costs, and profit. Here, the prices of the "bonus" units are over \$60 per month less than those in the original project, and now are at about \$500 per month, a price affordable by households with incomes in the \$17,000-\$24,000 range, which is approximately the median income level.

The final set of columns illustrates the further effect on housing cost of application of tax-exempt construction and long-term financing to the 20 percent bonus project; the result is a dramatic drop in unit rental rates. The rental rates of the "bonus" units are now at \$39/ per month, which is affordable by households earning between \$13,400 and \$18,800 per year, roughly 80 percent of the median income for the area. The rents are now well within the range of HUD's Fair Market Rents for new construction. In this last case, the combination of the inclusionary program, together with density bonuses and tax-exempt financing, has produced units which are affordable by lower-income families without public subsidy.

Once again, the combination of the bonus and the inclusion result in extra market rate units, and the developer remains "whole".

From the preceding demonstration of effect upon cost, it is reasonable to draw an inclusionary program for San Mateo County which would be applicable to rental units as well as sales units. Ignoring the possible benefits of tax exempt financing, inclusionary programs with density bonuses have the effect of bringing sales housing prices within range of families at the 120 percent of median level, and of bringing rental rates within the range of families at the 100 percent of median level.

Our conclusion is that inclusionary programming in San Mateo County should be applicable to both sales and rental projects, that the program should be triggered at the 20 to 40 unit scale, in medium density and above zones.

Variation in Unit Design

Variation in unit size and amenities included in below market rate units is common to most inclusionary programs. As was illustrated in Table 1, Page 5, a single reduction to unit size of 100 square feet in the sales housing example resulted in a reduction in sales price of \$4,400 (a 7 percent plus reduction in minimum buyer income, but still in the 120 percent of median range). Deletion of non-essential amenities would increase the reduction.

Caution should prevail with respect to exterior appearance, however, as too visible a difference between the market and below-market units would

tend to produce buyer resistance and marketing problems for the developer, which would work against acceptance of the program.

Definition of Affordability

Homebuyer income required to carry typical loans on the below-market rate units illustrated in Table 1 (Page 5), approach 120 percent of the County median income, even in the most favorable example (without tax-exempt financing). It is doubtful that units produced by an inclusionary program will be able to reach households with substantially lower incomes, unless such households have the capacity to make very high downpayments. In the rental housing example (Table 2, Page 7), tenant income required to support rental rates produced by the inclusionary program, approach 100 percent of median. Lower household incomes are realistic only if public subsidy and/or tax-exempt financing is available. Without detailed refinement of development proforma, it appears that a realistic definition of "affordability" in San Mateo County is housing which households of 130 percent of median to 100 percent of median can afford, unless subsidies are available.

Continued Affordability

Several issues are involved with the question of whether measures should be taken to ensure the continued "affordability" of dwellings produced by inclusionary programs:

1. Should government control, for extended periods, the disposition of housing produced without governmental assistance?
2. Do measures which control resale prices unfairly penalize sellers vis-a-vis others in the marketplace?
3. Is the retention of a stock of affordable, privately-owned housing sufficiently important to mitigate the first two issues?

With respect to the first question, most of the cities and counties utilizing inclusionary programs have determined that a public purpose is served by control of inclusionary units where public subsidies were not involved in initial production. A rationale to this approach is that while subsidies have not been applied, non-monetary assistance has been granted in the form of increased densities. Most of the resale controls which are in effect are cognizant of escalation of values, and take a middle-of-the-road stance vis-a-vis seller profit. That is, they permit escalation to the extent it is reflected in the Cost-of-Living Index, but do not permit windfall profits. In addition to the provision for escalation, most also recognize the market value of substantial improvements. Comparable controls to rental rates are possible. Clearly, the judgement which has been made by those localities which use these techniques for ensuring continued affordability is that retention of the stock of "affordable" housing produced by their inclusionary programs is an overriding consideration. Also, it is clear that this must be a local decision.

Monetary Subsidies

When available, monetary subsidies to the types of inclusionary developments discussed in this presentation will serve to further reduce housing costs. Such subsidies may be in the form of land write-downs, public contribution to the costs of site preparation and off-site improvements, and rental assistance through the Section 8 Program. To tie an inclusionary program to such monetary assistance, however, would tend to negate the program itself, as such subsidies are not always available, and particularly with rental projects, may be inapplicable due to inadequate Fair Market Rents. It is this kind of problem which has so seriously inhibited success of Los Angeles' "Fifteen Percent Ordinance", which is predicated upon the availability of subsidy and the ability of the developer to bring unit costs in within the range of Fair Market Rents.

As was shown in Tables 1 and 2 on Pages 5 and 7, non-monetary assistance in the form of tax-exempt financing alone can reduce housing costs substantially. In the sales housing case, prices are reduced from the levels affordable by households at the 120 percent of median level to those affordable by families at the 100 percent of median level. In the rental housing case, rents can be reduced from those which families earning 100 percent of median can afford to those affordable by households earning about 80 percent of median.

Additional non-monetary assistance can bring housing costs down as well. Such tactics as "fast track" processing, waiver of selected fees, reduction of parking requirements, and so forth, can be used to further reduce housing cost.

OUTLINE OF RECOMMENDED INCLUSIONARY PROGRAM

The following very briefly outlines the structure of an inclusionary program for San Mateo County:

1. Applicability: Sales and rental projects of 30 units or more, at medium density or above.
2. Density Bonus: Up to 20 percent.
3. Amount of Inclusion: 15 percent.
4. Price: For sales housing, that affordable by households earning not more than 130 percent of median income; for rental housing that price affordable by households earning not more than 100 percent of median for the area.
5. Restrictions: Public agency (or non-profit housing corporation) right of first refusal to purchase sales units upon proposed resale at a price reflecting increase in the Cost of Living Index plus the value of substantial improvements; for rental housing, comparable right of first refusal to re-rent to eligible tenants.

6. Other: When and if public subsidies and/or tax-exempt financing are available, units to be produced at lower prices and rental rates, and with respect to rental units, to be made available for inclusion in the Section 8 Program.

New residential projects will be consistent with the affordability criteria of the County Housing Element if 25% of the units of similar type and mix are priced as follows:

BEDROOM NUMBER	LOW/MODERATE (10%/project)		MEDIUM I (10% of project)		MEDIUM II (5% of project)	
	MONTHLY DEBT OR RENT	PURCHASE PRICE	MONTHLY DEBT OR RENT	PURCHASE PRICE	MONTHLY DEBT OR RENT	PURCHASE PRICE
0	\$227.50	\$19,550	\$341.25	\$ 32,050	\$409.50	\$39,550
1	260.00	23,100	390.00	37,400	468.00	46,000
2	325.00	30,250	487.50	48,150	585.00	58,850
3	366.00	34,800	548.50	54,850	658.00	66,900
4	406.00	39,200	609.50	61,550	731.25	74,950

ASSUMED COST FACTORS:

Housing debt includes: rent or principal + interest + taxes + fees

Downpayment: 10%

Interest Rate: 10.5%

Tax Rate: 1%

Mortgage Term: 30 years

Association and other fees: \$50 per month

NOTE: Incentives for and alternatives to direct performance are available and may be applicable to your project. Creativity and flexibility are encouraged. Assumed cost factors may vary with each project and adjustments will be made accordingly. For further information please contact the Housing and Community Development Office at 834-7971.

PRELIMINARY



DEPARTMENT OF DEVELOPMENT SERVICES

PROJECT TEAM

JUNE W. CATALANO, Senior Planner

WILLIAM D. HOLMAN, Assistant Planner

JEANINE FRANK, Research Assistant

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The Department of Development Services would like to acknowledge the cooperation of and direction provided by the Planning Commission Housing Subcommittee:

RUTH FINLEY, City Council

BOB BAZIL, Planning Commission

JOHN STERN, Planning Commission

DR. HENRY KAUFMAN, At Large

